



## Baytex Energy Corp. Soars 6%: Time to Buy?

### Description

**Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) jumped 6% September 20, as WTI oil topped the US\$50 per barrel mark for the first time in nearly four months.

Let's take a look at the current situation to see if this is the right time to add Baytex to your portfolio.

### Relief at last?

Long-term investors in this stock are hoping the oil rout has finally come to an end.

Baytex traded for \$43 per share three years ago and paid an annualized dividend of \$2.88. Followers of the stock are fully aware of how painful the ride down has been, and for those unfortunate investors who've held on through the downturn, the latest pop might not provide much comfort.

Why?

After the big surge on Tuesday, the share price closed at a whopping \$3.53. As for the dividend, it disappeared some time ago.

Not everyone is yelling at the monitor when the ticker goes past the bottom of the screen. Contrarian types who had the courage to step in early last year when the stock was close to \$2 are actually feeling pretty good right now, so it all depends on your entry point.

### Big potential

Fans of Baytex say the upside opportunity is significant from the current level. If oil prices are headed higher over the coming months and into next year, the bulls are probably correct.

Baytex has taken a beating, but management has done a good job of preparing the business to benefit in a recovery. Operating costs are down, production is rising, and the company had the opportunity to renegotiate terms with lenders before things really got bad in 2016.

The debt load remains high, which is the big reason the stock is so volatile, but Baytex hasn't been

forced to liquidate assets to stay alive, and that's where the contrarian investors see an opportunity.

Baytex has calculated its net asset value to be about \$9 per share after a 10% discount. If you think the company's numbers are reasonable, the stock looks like a steal right now, even after the recent pop.

## Risks

Baytex reported long-term debt of \$1.8 billion at the end of Q2 2017. That's a lot for a company with a market capitalization of \$830 million.

As such, any pullback in oil prices could hit the company hard, as we have seen on a number of occasions over the past year.

## Should you buy?

It all depends on where you think the oil market is headed, and at this point, it's a tough call.

Oil bulls might want to consider taking a small position in Baytex ahead of a potential rotation of funds back into oil producers.

Investors who think the latest move in oil is simply another head fake before a return to US\$45 should probably stay on the sidelines.

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