



## Baytex Energy Corp.'s Sales Rise Over 30% in Q3: Could the Stock Price Double?

### Description

**Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) recently released its third-quarter results, which saw the company record just under \$200 million in revenue, an increase of 31% from a year ago. Baytex posted a loss of \$9 million, but this too was an improvement over the \$39 million net loss that it posted a year ago.

Investors reacted positively to the news, and the share price increased more than 20% just in the past week. Let's take a closer look at the financials to see whether the stock is still a good buy or if it has gotten too expensive.

### Increase in funds from operations

Baytex had over \$77 million in funds from operations this quarter, which is up 7% over the \$72 million the company recorded a year ago.

### Production up over 2,000 barrels a day

In Q3, Baytex averaged a daily production of 69,310 barrels of oil, which is up from 67,167 barrels a year ago for a year-over-year increase of 3%.

### Higher average prices help push sales up

Baytex saw a higher average price achieved among almost all types of oil, and oil equivalent of \$38.04 was 20% higher than the \$31.73 the company averaged a year ago.

### Decrease in operating expenses

Despite revenues rising over 30%, the company's total operations increased by just 8%. In 2016, operating expenses took up 138% of Baytex's net revenue, while this quarter that percentage decreased to 114%.

A couple of big reasons for the improvement include impairment charges not being incurred this year (compared to a cost of \$26 million a year ago), and other expenses declining by \$10 million. These cost reductions helped to offset expenses that rose as a result of the increase in production.

### **Debt reduced in the past year**

The company trimmed its net debt by 6%, as Baytex brought down its long-term debt by \$130 million.

### **Company continues to hedge its exposure to oil prices**

Baytex has nearly half of its exposure to oil prices hedged for Q4, and it continues to work on securing hedges for 2018, where it has nearly a quarter of its at-risk operations already hedged.

However, hedging is not without its risks either; a year ago the company achieved a \$24 million gain from its financial derivatives, while this year it incurred a loss of \$18 million.

### **Is the stock a buy?**

Baytex had an improved quarter from last year, but the company continues to struggle to turn a profit. However, with the stock trading at a big discount, it is one that [could certainly take off](#) if the price of oil continues to rise. However, oil and gas investors may prefer other options, including **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), which is trading at a low but has been turning out [strong and profitable quarters](#).

The one advantage Baytex's stock will have over others, including Enbridge, is its ability to grow in size. Despite the recent increase in price, the stock is still down 40% this year, and back in 2014 it was trading near \$50 a share.

Although it's very unlikely the stock will reach those levels anytime soon, if oil prices continue to increase and the company inches towards profitability, it wouldn't be impossible for the share price to double or perhaps even triple.

### **CATEGORY**

1. Energy Stocks
2. Investing

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2. TSX:BTE (Baytex Energy Corp.)
3. TSX:ENB (Enbridge Inc.)

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djagielski

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