



Baytex Energy Corp.: An Incredibly Cheap Oil Stock

Description

As oil prices show resilience, oil bulls are active again, looking for bargains in the energy space.

The ongoing rally in oil stocks shows that investors feel that oil prices may stay strong after WTI reached \$57.92 a barrel in November — the highest level in more than two years.

It is almost impossible to predict accurately where oil will trade tomorrow, but recent events signal this rally has legs. Higher prices in recent weeks were achieved after the Organization of the Petroleum Exporting Countries (OPEC) and Russia agreed to tighten the market by cutting output, as well as due to strong demand and rising political tensions in the Middle East.

There are also expectations in the market that OPEC's next meeting on Nov. 30 will result in an agreement to extend cuts beyond the current expiry date in March 2018.

If you are looking for a cheap oil stock with a massive upside potential, then you should consider [Baytex Energy Corp. \(TSX:BTE\)\(NYSE:BTE\)](#), which is showing a strong rebound after a long slump.

Baytex's business

Baytex owns and operates crude oil and natural gas assets in the Western Canadian Sedimentary Basin and in the Eagle Ford in the U.S. About 79% of Baytex's production comes from crude oil and natural gas liquids.

Investors in Baytex stock saw their capital eroded; its shares tumbled from ~\$49 as oil prices crashed in 2014.

The major reason behind the collapse in Baytex's share price was that the company acquired large assets at the peak of the commodity cycle, loading its balance sheet with massive debt. As prices began to slide in 2014, Baytex struggled to maintain a balance between investing capital to grow its output and paying down its debt.

But the company's latest quarterly results show that it might be closer to turning the corner after a successful belt tightening.

In the third quarter, Baytex revenue surged 31% to \$200 million, narrowing the loss to \$9 million from the \$39 million it suffered during the same period a year ago.

Reduction in losses were the result of company's increasing production and decreasing operating losses. Baytex average daily output rose 3% to 69,310 barrels of oil. Baytex's average sale price rose 20% to an oil equivalent of \$38.04 from \$31.73 the company averaged a year ago.

Is Baytex stock a buy?

Trading at \$4.18 at the time of writing, Baytex stock has jumped ~27% in the past three months, benefiting from strengthening oil prices and an improvement in its business outlook.

Despite this considerable comeback, Baytex stock remains tied to energy markets. For long-term investors, Baytex may not be a good pick. There are many other [solid companies](#) that offer a better risk/reward equation.

However, if you are looking for a cheap oil stock that could provide a hefty upside potential if oil prices continue to soar, then Baytex is a good option.

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1. Energy Stocks
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