# Will Baytex Energy Corp. (TSX:BTE) Finally Beat the S&P/TSX Composite Index (TSX:^OSPTX)?

## Description

With the **S&P/TSX Composite Index** (TSX:^OSPTX) having performed so well in recent years, it may be a good idea to evaluate if we think this will continue to be the case going forward and identify those stocks that will beat the index in the next few years.

Well, as oil continues to show strength and maintains levels close to $70, investors may want to consider beefing up on energy stocks.

The fact is that despite the sustained strength in oil prices, many energy stocks have not rallied much in response.

This is due to many factors, including the fact that investors are still skeptical of the sector in general after the big blow-up a few years ago and whether strong oil prices will be sustained as well as company-specific reasons.



Whatever the reason, this has led to many energy stocks being undervalued and ripe for a sharp rise.

Here are three energy stocks to buy now to beat the TSX Index.

**Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE)

In the last few years, Baytex has been struggling under the weight of a highly levered balance sheet, but as oil prices have strengthened from lows of below $30 a few years ago, Baytex Energy stock has increasingly become a very solid pick in the energy sector.

With a $1 billion market capitalization, and a stock price that has remained in the $4 to $6 range in the last few years, what the company has needed was some sort of catalyst over and above strong oil prices to send it higher.

And we got this when Baytex announced the merger with **Raging River Exploration Inc.** (TSX:RRX).

The merger solves two of the company's problems.

It strengthens Baytex's balance sheet, bringing its net debt to equity ratio to below two times, from three times, and it diversifies its production base, giving the company quality light oil assets and land in the Duvernay area in Alberta.

**Canadian Natural Resources Ltd.** (TSX:CNQ)(NYSE:CNQ)

With a 2.95% dividend yield, a stock price that has almost doubled from its 2016 lows, and a predictable and reliable stream of cash flow with little reserve replacement risk, CNQ stock remains a top pick for energy exposure and to beat the TSX Index.

Strong cash flow, continued debt reduction, and an increasing dividend is what has characterized this company's results — and what makes it a top energy stock.

**Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE)

A $15 billion, 1.59% dividend yielder Cenovus is another energy stock that has remained range-bound despite the strength in oil prices, which is partly due to poor market access.

Nevertheless, this is another energy stock that is attractive, as it has a large resource base, good growth potential from its oil sands expansions, and an attractive valuation.

Cost reduction, debt reduction, and an unrolling of the poorly timed hedge book should act as catalysts for long-term value creation, thus leading Cenovus Energy stock to outperform the TSX Index.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
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**Date**
2025/07/06
**Date Created**
2018/08/27
**Author**

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