



## 3 Things That Can Steer This Once Loved Oil Stock in the Right Direction

### Description

Before the collapse of oil prices in 2014, **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) stock traded at the +\$40-per-share area. Currently, it trades at a small fraction (less than a 10th) of that price at \$3.69 per share as of writing.

Can this once loved oil stock return to its former glory? Asking the stock to trade at +\$40 again is asking a lot. Too much, in fact, as it'd imply a nearly 11-bagger!

It'd be more reasonable to ask what will turn the stock around. Here are several things that can give a significant boost to Baytex Energy's stock price.

### Turning a profit

Baytex Energy has been operating at a loss since 2015. Thankfully, it has been improving and operating at lower losses over time. In the last reported quarter at the end of June, it resulted in a net loss of almost \$58.8 million, which was an improvement of nearly \$4 million from the previous quarter.

When Baytex Energy finally turns a profit, it should give a significant boost to its stock price. Some analysts estimate that Baytex can turn a profit as early as next year.

In the last quarter, Baytex Energy generated \$74.5 million of operating cash flow. However, it also had capital expenditures of \$79.3 million, which meant it was [free cash flow](#) negative. If the company can generate positive free cash flow, it will be another driver of a higher stock price.



### Reducing debt

At the end of Q2, Baytex Energy had total assets of nearly \$4.48 billion and total liabilities of \$2.56 billion, including nearly \$1.75 billion of long-term debt. So, it had a debt ratio (calculated by total liabilities divided total assets) of 0.57.

If Baytex Energy can produce cash flow to reduce its debt levels over time, it'll help lift its stock price.

### Reinstating a dividend once the balance sheet is cleaned up

Baytex Energy used to pay a juicy monthly dividend, until August 2015. Once Baytex Energy cleans up its balance sheet and with the help of higher oil prices, there's a good chance that it'll reinstate its dividend down the road. When it does, the shares will certainly be much higher than today.

### Investor takeaway

[Baytex Energy](#) just acquired Raging River Exploration in August, which significantly changed the business. Not only does Raging River improve Baytex Energy's balance sheet, but it also brings with it quality light oil assets.

If all goes according to plan, over the next two years, we should see positive results from the merger and a much higher share price. An 11-bagger may be out of the question, but a two-bagger is certainly in the cards.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

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