3 Reasons to Sell Baytex Energy Corp (TSX:BTE) Stock Today

Description

I’ve never been a big fan of **Baytex Energy Corp** (TSX:BTE)(NYSE:BTE).

In December I explored whether the company would be declaring bankruptcy in 2019. A few months later, I suggested readers “let other investors take a risk on Baytex stock.”

History has backed this bearish stance. Since 2011, shares have lost 95% of their value.

While some bottom-pickers are calling for a reversal, here are three reasons you should sell Baytex stock and never look back.

These are not the assets you’re looking for

Buying during a bear market is always nerve-wracking, but it’s a proven way of generating long-term wealth. With Canada’s energy sector under immense pressure over the past 12 months, there are likely plenty of ways to profit from discounted stocks.

If you’re thinking that Baytex stock is a way to play the cycle, think again.

To profit from a recovery, investors need to find energy stocks that can improve immensely if selling prices strengthen. With high extraction costs, Baytex may struggle even if conditions improve, making it a lose-lose proposition.

While the company is attempting to shift its production towards the U.S., it still has a heavy Canadian presence, pulling down realized prices due to lower quality output. Many analysts estimate that Baytex breaks even with oil prices of around US$50 per barrel. Any lower than that and production will begin to shrink.

Other competitors are bringing on new projects with breakeven price points of around US$15 per barrel. Baytex’s assets are simply some of the worst in the industry.

Debt levels should frighten you

Even with a market capitalization of $1.3 billion, Baytex has a $2.3 billion debt load. While large amounts of debt can be a problem, timing is the most important consideration.

If none of this debt needs to be repaid until 2030, it's not a huge concern. Unfortunately, Baytex is in no such position.

In 2020, Baytex needs to repay its $1.1 billion revolving credit line. More likely, the company will choose to refinance, but its interest rates should rise considerably, adding more pressure to this cash-strapped stock.

The debt maturity cliff only worsens over time. In 2021, $730 million in loans need to be repaid. In 2022, $300 million in additional maturities come due.

Over the next couple years, Baytex needs to pay off debt worth more than the entire value of the company. Good luck with that.

Better deals can be had

If you're looking for great deals within the Canadian energy sector, there are certainly many to be had. There's simply no reason to cozy up to a broken stock like Baytex.

Take **Gran Tierra Energy** (TSX:GTE)(NYSE:GTE) for example.

While oil prices have gained more than 20% this year, Gran Tierra stock has remained roughly flat. With quality assets and a cleaner balance sheet, Gran Tierra is better positioned for the oil recovery. Better yet, the upside hasn't been priced in.

As Fool contributor Matt Smith wrote recently, this is "an opportunity for investors seeking an oil stock that is trading at a deep discount to its intrinsic value and offers considerable potential upside."

With deals like this, there's no reason to take a risk with Baytex.

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