



Baytex Energy Corp. (TSX:BTE) Stock: Buy or Sell Today?

Description

Contrarian investors are constantly searching for troubled stocks that could be on the cusp of a big turnaround, and many are sifting through the walking wounded in the energy sector to find [deals](#).

Let's take a look at **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) to see if it deserves to be on your radar right now.

Wild ride

Long-term followers of Baytex know the company has endured a rough ride in the past five years. In fact, one look at the stock chart and you might simply want to move on to the next company on your list.

Baytex was a \$48 stock in the summer of 2014 and enjoyed the status as one of Canada's favourite [dividend picks](#) with a monthly distribution of \$0.24 per share. Income investors flocked to the company for its generous payouts and the good times appeared set to continue when Baytex closed its \$2.8 billion purchase of Aurora Oil and Gas in early June of that year.

Unfortunately, oil prices started to slide in the following weeks. By the time the sector bottomed out in early 2016, Baytex had long-abandoned its dividend and the stock traded for less than \$2 per share.

Investors who'd jumped in at that point had a brief chance to flip the stock for close to \$8 per share a few months later. Those who held on aren't happy campers, as the rally proved to be a head fake. The stock has trended lower ever since, with a brief bounce early last year that saw it nearly double back to \$6 before resuming the slide.

Ongoing concerns surrounding the company's debt levels have kept the stock from making any meaningful progress. Even the merger with Raging River Exploration failed to attract new investor interest, as WTI oil hit US\$75 in early October before its subsequent plunge back to US\$43 per barrel in December.

Baytex fell below \$2 again before the year-end holidays, and investors could still pick it up for about

\$2.20 in at the beginning of April 2019.

New rally?

Since then, the stock has picked up a new tailwind, surging as high as \$2.90 in recent days. As always happens when the stock makes a big short-term move, investors are asking themselves if this time things will be different.

WTI oil is back above US\$64 per barrel and Western Canadian Select (WCS) has recovered from US\$11 late last year to US\$54 per barrel. That's good news for the Canadian operations that get WCS pricing for their production. If oil prices can hold their recent gains, or even extend the recovery through the rest of the year, Baytex could actually begin to make a meaningful dent in its debt load.

Last month, the company said improved prices should boost 2019 funds flow from the previous guidance of \$605-800 million. This means the company could reduce debt by an additional \$200 million this year. Baytex finished 2018 with net debt of \$2.27 billion, so significant work has to be done, but a steady recovery in oil prices over the next two years could finally help the company get the balance sheet under control.

Should you buy?

Baytex estimated its net asset value at the end of 2018 to be above \$7 per share. If you believe the calculations are valid the stock has some attractive upside potential and might eventually attract a takeover bid.

I wouldn't remortgage the house to load up on the shares, but investors who are of the opinion the oil recovery has legs might want to consider a small contrarian position in the stock.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date

2025/08/26

Date Created

2019/04/18

Author

aswalker

default watermark

default watermark