



Is Baytex Energy (TSX:BTE) a Bargain at Under \$2?

Description

Baytex Energy Corp ([TSX:BTE](#))(NYSE:BTE) has been struggling mightily over the past year, and with the stock trading near a new 52-week low, investors might be wondering whether now is the time to finally buy the stock. With no major news in the past few months other than the issuance of the company's quarterly results, the stock's decline seems to be momentum driven rather than a result of any adverse developments relating to Baytex.

In fact, in the company's most recent results, Baytex was able to squeak out a profit for just the second time in the past five quarters. And with sales growth of 58% from the prior year, there should have been at least a little bit of optimism for the company. It initially did see a boost in price, only to end up falling shortly afterward.

It's no doubt been a frustrating ride for shareholders of the company, as even stronger oil prices and news that OPEC would [extend production cuts](#) into next year have not been enough to draw investors to buy the stock.

How much lower can Baytex go?

It's not just a 52-week low that Baytex has recently reached, but an all-time low as well. The stock has ventured into uncharted territory and it's hard to see whether it will emerge from this free-fall or continue sinking. With a heavy discount to its book value, it's likely a matter of time before investors take a chance on the stock given that it could have a lot of [upside](#).

I wouldn't bet on the stock falling to below a dollar, and it would be surprising if it didn't find support well before then. At a book value of \$5.44, trading at a dollar would mean trading at just 18% of that value. Even \$1.50 would equate to a multiple of just 0.28. Sooner or later, I'd expect value investors to start buying the stock if for no other reason than its assets.

However, trying to find the bottom can be dangerous, as you could end up incurring significant losses along the way. A safer option would be to wait out for the stock to show some support and generate a bit of a rally and then to consider buying it. While you might miss out on some potential profit by

waiting, doing so could help you minimize your risk.

Bottom line

Oil and gas stocks have been very risky, and Baytex has certainly been no exception to that. Just because a stock has been trading below book value or has fallen significantly doesn't mean that it's due to recover imminently. There's no rule that a stock that has been oversold or that has hit a new low will inevitably bounce back. After all, a new low could be just around the corner.

As cheap a buy as Baytex might appear to be today, investors would be better off waiting in the sidelines for now rather than risk going on for what could be a roller coaster ride.

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