Baytex Energy (TSX:BTE): A Dirt-Cheap Energy Stock to Buy Today

Description

With 83% of its production weighted toward crude oil and natural gas liquids, **Baytex Energy** (TSX:BTE)(NYSE:BTE) holds land and production assets in some of the most prolific resource plays: the Eagle Ford in Texas, the Peace River oil sands, Viking light oil, East Duvernay shale oil, and Lloydminster heavy oil.

This is a great start, but it is not the full picture. As we know, Baytex also needs to ensure the best operating practices and shrewd financial decision making to weather the storm that has been the Canadian oil and gas industry. Thankfully, for those investors considering buying Baytex stock, this is exactly what management has shown in recent times.

Baytex reports solid operational results

Production is exceeding expectations, and, as a result, the company has lifted 2019 production expectations to between 96,000 and 97,000 barrels of oil equivalent (boe) per day. 2019 production is expected to be approximately 21% higher than 2018. Also, the company's operating netback has recovered to levels of $30.72 per boe — the highest level since 2014. Finally, exploration results are coming in strong and at reduced expense.

In turn, all of this has resulted in increased levels of cash flow for Baytex, leaving the company in the very favourable position, where it is able to take care of its financial mess. As a result, we are seeing Baytex's once heavy and stifling debt loads being worked down at a feverish pace. Baytex's net debt to cash flow currently stands at a very acceptable 2.5 times compared to highs of 4.5 times in 2018.

Shrewd financial decision making at Baytex

Capping off the review of the company's operational/financial performance, we can look to Baytex's acquisition of Raging River back in 2018. This acquisition turned the tide on Baytex, as it provided the company with diversification, a stronger cash flow profile, a stronger growth profile, and a way out of its once crippling debt. It gave Baytex access to WTI pricing for 30% of its liquids production, and access to the premium Louisiana Light Sweet pricing for 26% of its liquids production.

Foolish final thoughts

Baytex stock continues to trade at a discount to its peer group. While this has been understandable in the past, actions have been taken that have begun to dramatically alter the state of things for Baytex. As the company continues to move toward being a more profitable, diversified, financially secure company, the stock should follow suit.

Of course, oil and gas prices have to cooperate at least a little bit in order for us to really see Baytex's valuation and stock price recover, but given that the company is successfully doing its part to take care of and solve its own problems, we are on the right path.

Despite the many challenges that the energy sector has been faced with over the last few years, this sector remains an important one in Canada and globally. It's important because while the world is moving toward renewable energy sources, oil and gas is very much needed today and will be for many years to come in order to bridge the gap while the renewable energy industry is built.

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Date
2025/07/05
Date Created
2019/09/21
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