



## Things Aren't Looking Good for Baytex Energy (TSX:BTE) Stock Right Now

### Description

**Baytex Energy Corp's** ([TSX:BTE](#))(NYSE:BTE) years-long slide has continued without interruption in 2019. The stock, which peaked at \$58.55 in 2011, now trades for just \$1.66, having fallen 96.94% since its peak price and 32% year-to-date.

It's been a long and sad saga for a stock that was once a darling of the oil & gas sector. Between November 2001 and April 2011, BTE delivered a 1550% return, handily beating the **TSX** in that period.

When you've got a stock that was once a ten-bagger in less than 10 years, it can be tempting to hope for the best. However, for BTE, the best is almost certainly behind us.

The company behind this stock has a mountain of debt and a business model that's extremely sensitive to the price of oil. To understand why more pain may still be coming, we need to first look at the stock's performance year.

### Performance year-to-date

BTE started off 2019 at \$2.45 and is currently trading for \$1.66 at writing—a 32% decline. This is obviously terrible market performance, although performance of the underlying company has been somewhat better. In Q1, the company doubled its funds from operation, from \$0.2 to \$0.4 sequentially. FFO also grew year over year.

In Q2, the performance was more mixed. FFO decreased from \$0.45 to \$0.42 year-over-year, while net income per share grew from a \$0.25 loss to \$0.14. Over all pertinent time frames, the company's petroleum and natural gas sales have increased, which is certainly good news. However, the company faces serious headwinds from weak oil prices and rising debt.

### Weak oil is bad news

Oil performed pretty badly in 2019, with the **Canadian Crude Index** being at \$52 in April and just \$35

today. The current price is up from the beginning of the year, but way down from mid-year prices.

As a company that directly processes and sells crude, Baytex Energy loses out on revenue when oil is weak. This is a problem for any oil company, but for Baytex, it's compounded by the issue of [massive debt](#).

## Debt problems abound

At the end of its most recent quarter, Baytex Energy had \$2.02 billion in net debt up from \$1.78 billion in the same quarter a year before. Although the company has been trying to pay down its debt—and did reduce it by about \$100 million sequentially—it's up on a year-over-year basis.

Debt around \$2 billion is a major problem for Baytex. As a company that often runs losses and only earned \$87 million in the best out of the past four years, the interest expense on that \$2 billion is a massive burden. Baytex has attracted some positive coverage for its [debt reduction program](#), which saw it pay off \$90 million in debt in Q1.

While \$90 million is certainly a big reduction, if oil gets even weaker, then the company will have to start borrowing again to keep its operations running.

Additionally, the company's \$2 billion debt level is down only about 10% from 2014, when it sat at \$2.2 billion. Thus, the debt reduction isn't proceeding quickly enough for a company that's currently extremely vulnerable to further weakness in oil.

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