



Market Selloff: These 3 Stocks Could Go Bankrupt in 2020

Description

It seems like investors are pretty much split on what'll happen over the next few months. Many think we'll have a V-shaped recovery, and the economy will recover faster than we ever thought possible. Others, meanwhile, think we're in for a long slog filled with crises of confidence and [dividend cuts](#), with many companies eventually going bankrupt.

Personally, I'm somewhere in the middle. I think a recovery will happen pretty quickly, but it won't quite be V-shaped. We're likely in a recession for at least a couple of quarters. The good news is, this will be enough for most companies to survive, but not all of them. A few bankrupt companies will make headlines in 2020.

Let's take a look at three of the most likely candidates to go bankrupt — companies that were on shaky ground before this virus took the market by storm.

Baytex Energy

Poor **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE). The energy firm has struggled for years now, and it just can't seem to catch a break.

It made a big acquisition just before oil prices cratered back in 2014; a deal financed by debt it still hasn't been able to pay off some seven years later. Things got a little better when oil recovered to the \$50-per-barrel range, but now the price war between Saudi Arabia and Russia has pushed crude below \$30 per barrel again. Unless crude recovers in a big way relatively quickly, the end is near. Baytex Energy will go bankrupt.

Yes, Baytex did recently refinance its debt, stretching maturities out to 2024 at the earliest. But this debt comes with conditions that the company must meet, particularly on the earnings side. With oil seemingly stuck at these levels for a while, it's obvious Baytex won't be earning much. This could trigger a default.

Besides, Baytex shares currently trade hands for \$0.32 per share on the Toronto Stock Exchange. This

tells us bankruptcy is essentially priced in at this point.

Crescent Point Energy

It's no surprise energy companies are going to dominate this list. If oil even continues to trade at today's prices for a few months, most will go bankrupt.

That's likely the outcome for **Crescent Point Energy** (TSX:CPG)(NYSE:CPG), which was the darling of the sector for many years. You might remember the company paying one of the energy sector's most generous dividends while using debt to expand its assets. Then, when oil declined, the company earned praise for its focus on low-cost production with high netbacks.

It was a good strategy, except for one important factor. Despite the company taking numerous steps to strengthen its balance sheet over the last few years, debt is still an issue. Like Baytex, the company doesn't have any near-term maturities. But it could still be forced into bankruptcy by violating debt covenants — something that is far more likely today than it was just a few weeks ago.

Crescent Point has taken steps to secure as much cash as possible — like cutting 2020's capital spending program — but it might not be enough. It needs oil to recover quickly or it will go bankrupt.

Like with Baytex, the market has priced in this possibility. Crescent Point shares are trading below \$1 each.

American Hotel Properties

Despite management coming out and saying things weren't so bad, I still think shareholders of **American Hotel Properties REIT** ([TSX:HOT.UN](#)) must face an uncomfortable reality. The company could go bankrupt.

The company's portfolio is a little better insulated from the chaos in the travel market compared to some of its competitors, since it focuses on secondary U.S. cities without much international travel. Sure, things aren't great in places like Pittsburgh, Baltimore, or Oklahoma City. But they're better than places with a lot of international visitors, like Las Vegas.

It all depends on how soon travel demand recovers. If companies ramp up spending on business travel quickly, American Hotel Properties will likely be fine. But that's a big if, which is why the firm is on this list. We just don't know what'll happen.

Essentially, an investment in this stock is a guess on what'll happen a few months from now. And since most investors are pretty pessimistic, the stock is being priced like it'll soon be bankrupt.

CATEGORY

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2. TSX:BTE (Baytex Energy Corp.)
3. TSX:HOT.UN (American Hotel Income Properties REIT LP)
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Author

nelsonpsmith

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