



## Why Baytex Energy (TSX:BTE) Stock Is Up 102% in June

### Description

**Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) stock has soared in June. This 102% rise in Baytex stock is due to two reasons, the rising oil price and strong company fundamentals. Is it time to finally back up the truck into Baytex Energy stock or is this just a sucker's rally?

Let's look at why Baytex Energy stock has been soaring in order to help us get to this answer.

### Baytex stock soars as oil prices recover

Oil prices have continued to recover in May, posting an 8.8% increase so far in the month following the already spectacular 234% oil price recovery since April lows. The macroeconomic forces that have led to this oil price action are two-fold.

Supply has been reigned in and the production cuts that have been implemented are certainly having the desired impact. On the demand side, it is not so clear cut right now. The precise timing of a recovery in demand is difficult to predict, as economies are just starting to open up after being decimated by shut downs.

But while the actual demand recovery is difficult to predict, we are certainly seeing oil prices react to the expectations of rising demand. We can find experts who are calling for oil prices to go lower. We can also easily find experts who are calling for oil prices to go higher.

With well over 80% of its revenue coming from oil and liquids, Baytex Energy has significant exposure to oil prices. With oil prices staging a comeback, it follows that Baytex stock is also staging a comeback of sorts. Baytex stock is up almost 200% since its March lows.

### Baytex Energy stock benefits from hedges and its strong asset base

[With oil prices recovering and fear subsiding](#), investors can now start to value Baytex more

appropriately.

There are three items worth noting when considering Baytex Energy stock. First, Baytex is benefiting from hedges it has put in place. Baytex's net crude oil exposure is mostly hedged for 2020. And as icing on this cake, this options hedging program is expected to generate \$100 million of derivatives gains in 2020.

Second, Baytex's liquidity position is quite favourable. With 35% of its credit facilities undrawn and liquidity of \$300 million, Baytex has a cushion to help it through the bad times. Furthermore, the company's first long-term note maturity is not until June 2024.

Lastly, Baytex benefits from diversification. The company's recent acquisition of Raging River provided it 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 West Texas Intermediate (WTI) pricing for 30% of its liquids production, and access to the premium Louisiana Light Sweet pricing for 26% of its liquids production.

In a nutshell, Baytex now has a high-quality oil portfolio with 10 or more years of drilling inventory. It also has strong capital efficiencies and flexibility on discretionary capital. All of this provides Baytex Energy stock with a buffer; some protection if you will.

## Baytex Energy addresses sustainability

A [discussion of energy companies would not be complete without addressing sustainability issues](#). For its part, Baytex Energy has established an objective to reduce greenhouse gas emissions intensity by 30% by 2021.

This is an important step toward long-term sustainability.

## Foolish bottom line

Baytex Energy stock is not for the weak-kneed. It is a volatile stock in a volatile industry. But recent events have given us reason to be bullish on this energy stock once again.

For those investors looking for high-return potential, Baytex Energy stock is one to consider.

### CATEGORY

1. Energy Stocks

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1. TSX:BTE (Baytex Energy Corp.)

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