



## Remember Baytex Energy (TSX:BTE) Stock? Here's Why it's Skyrocketing Higher!

### Description

**Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) was once a soaring energy stock. But then came trouble. Oil prices in Canada and globally got decimated. Then the coronavirus reared its ugly head, sending oil demand crashing. Energy companies have been sending out SOS signals ever since.

Today, [we have seen oil prices settle in at the \\$40 range](#). We have seen demand slowly returning, as economies open up. And we have seen shut-in production working its magic.

Baytex Energy stock is a high-risk/high-reward stock. [If you are ready to take the plunge toward explosive returns](#), consider Baytex stock.

### Baytex Energy stock has soared 148% since March

Baytex Energy stock is currently rallying, as the company has handled the coronavirus crisis well. The stock is also rallying, as oil prices have stabilized. As a result, some of Baytex's shut-in production is being brought back online.

Looking ahead, we can expect Baytex to continue to shelter its production from volatile oil prices. The majority of its 2020 production is already hedged. And Baytex has begun to hedge its expected 2021 production as well. So far, 10% is hedged at \$45 oil. This has ensured that Baytex remain free cash flow positive so far in 2020.

This hedging program has given Baytex the benefit of reduced volatility in its results. It has also given Baytex some pretty nice hedging gains. In the second quarter, Baytex made \$14 million in financial derivatives gains related to hedging.

### Baytex focuses on efficiencies

Given the challenging times we are in, Baytex is laser focused on driving efficiencies. Management has

identified \$98 million in cost savings for 2020. Operating expenses declined 4% in the second quarter with more to come.

For now, Baytex is in a solid position. Its liquidity position is strong, with the first long-term note maturity only coming in 2024.

The company benefits from diversification. Its acquisition of Raging River provided it with many benefits: 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.

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.

On top of this, Baytex Energy is committed to cleaning up its operations. In 2019, the company reduced its GHG emissions by 15%. By 2021, the company is targeting a 30% reduction in GHG emissions.

## Foolish bottom line

The oil and gas industry is recovering from the blows it has been dealt. It seems like this has been the storyline for many years. This year, the coronavirus crisis has been added to the list of this industry's woes. The country, and eventually the world, will recover from this period of weakness.

I think Baytex Energy stock will emerge as a winner. Oil has pretty much held above \$40 since June and seems to have established a floor. There are huge gains to be made in the severely undervalued energy sector.

### CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

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1. TSX:BTE (Baytex Energy Corp.)

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**Date**

2025/09/06

**Date Created**

2020/08/13

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