



## Bullish on Oil Stocks? Consider This High-Leverage Play Today

### Description

Oil prices plunged to historic lows due to the pandemic. In fact, investors may remember that oil prices briefly went negative last year on a technical move.

However, commodities have made a strong recovery as of late. Hence, for investors who remain optimistic regarding oil prices, now is the right time to consider [high-leverage energy plays](#). In that respect, investors should buy shares of **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE). Here's why.

### Analysts remain optimistic

As per Baytex's latest quarterly earnings report for the period ended March 31, 2021, Baytex produced 78,780 boe/d. This exceeded analyst estimates of 77,300 boe/d. Additionally, these numbers represent an increase of nearly 12% when compared to the company's Q4 numbers. Furthermore, the company's cash flow jumped 90.5% on a quarter-over-quarter basis to \$0.28, exceeding analyst projections by \$0.23.

With the crucial operating metrics of Baytex surpassing consensus estimates for Q1 2021, the company has increased its capital program budget for this year. Its spending will now range from \$285 million to \$315 million, a significant increase when compared to prior estimates of \$225-\$275 million. Furthermore, this company has upgraded its production guidance for 2021 in addition to putting forward an impressive five-year plan, generating estimated free cash flow of \$1 billion.

Patrick O'Rourke, an analyst at ATB Capital Markets, has raised his target from \$1.60 to \$1.75. Moreover, National Bank's Dan Payne has increased his target price to \$2 from \$1.75.

### A speculative high-risk, high-reward play

As noted previously, oil prices were beaten to a pulp due to the pandemic-induced crisis. However, commodities have been soaring of late, with oil currently trading around the US\$65 level. Without a doubt, this clearly has a positive impact on Baytex Energy given the company's high exposure to oil

prices.

This stock has been soaring this year; since January 1, 2021, its shares have skyrocketed over 135%. At the time of writing, it trades around the \$1.65 mark. Yes, Baytex ended 2020 with long-term debt worth \$1.8 billion, which is quite high for a company with a market capitalization rate of under \$1 billion. However, it has been taking measures to reduce its debt balance.

These measures have clearly begun to pay off.

## Bottom line

As far as high-leverage oil plays go, Baytex remains one of the best options for investors today.

This is a company with a higher risk profile due to its debt burden which remains elevated. However, for those who believe oil prices will continue to climb higher, this is a stock that could produce outsized returns.

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