Thinking of Buying Penny Stocks? Look at These 3 Stocks First

Description

Penny stocks are for speculative investors with a high appetite for risk. But small individual investors are still attracted to the extremely low-priced penny stocks. There's the temptation to buy a large number of shares in the hope of making quick money on rapid price movements. If you're slow to the draw, losses could be huge.

Don't take the bait and control the urge. There are stocks that are reasonably priced, less risky and can deliver gains to economizing investors. Look at value stocks like **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG), **Ensign Energy Services Inc.** (TSX:ESI) or **Roots Corporation** (TSX:ROOT) before you think of purchasing penny stocks.

Enduring business

Unlike penny stocks, there is no danger of investing in an oil and gas company that has been in existence for nearly a decade. At the price of $4.41 per share at writing, Crescent Point is a gazillion times better than small or new companies with no enduring business to brag about.

For less than $5.00, you can own shares of a leading North American oil producer that's primarily focused on the development of high return resource plays. It means that you're investing in a business strategy that prioritizes owning high-quality assets, a strong balance sheet, and improved returns.

Apart from the predicted price appreciation of 172% to $12.00 by analysts in the next twelve months, you will be paid an annual dividend of nearly 1.0%. Newbie investors with limited funds can win big with Crescent Point. You don't need to short sell the stock to make profits. It's money from a fruit-bearing tree.

Acquired expertise

The investment thesis for Ensign Energy Services is not concocted nor invented. That's the problem with penny stocks. Proponents usually fabricate an investment pitch like mega-projects or mega-deals to entice unsuspecting investors. They make money through deception.

Ensign Energy is a world-class business entity. The company provides advanced technology and a comprehensive range of drilling services to some of the world's biggest oil drillers. For the current year, the $710.7 million company with oil drilling expertise forecasts a 45.1% growth.

According to market analysts, the current stock price of $4.56 has a potential upside of 75.43%. With a five-year average dividend yield of 6.66%, no penny stock can come close to providing such realizable gains.

Patronized lifestyle brand

Another stock that's on the verge of a breakout is brand Roots Corporation. Sales of Roots branded products are starting to perk up despite a slowdown in the retail sector. With signs of increasing sales in the physical stores and e-commerce platforms under the direct-to-customer segment, the stock has a potential upside of 68.5% from $3.56 to $6.00.

The $150 million premium outdoor lifestyle brand can't be likened to a penny stock, as penny stock companies are a step away from bankruptcy. For Roots Corporation, there's strength in numbers. There are corporate retail stores in Canada (114) and the U.S. (7). Add the stores that sell the Roots brand in 50 countries.

Avoid penny stocks as much as you can. Don't be a victim of fraud, manipulation, and other shenanigans. Your money is safer in cheaper stocks with unquestionable reputations.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:ESI (Ensign Energy Services Inc.)
3. TSX:ROOT (Roots Corporation)
4. TSX:VRN (Veren Inc.)

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Date
2025/08/15
Date Created
2019/07/16
Author
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