



## Become a Penny Stock Tycoon With These 2 Stocks

### Description

Are you a speculative investor with a high appetite for risk? From what I have seen, small individual investors have an inclination toward extremely low-priced penny stocks more than anything else in the stock market.

Of course, if you are too late to cash out, your losses can be huge. I would suggest that you control your temptation to go for the cheapest stocks. It is better to consider placing a stake in penny stocks with slightly lower risk, reasonable prices, and the ability to provide you with proper gains as a high-risk investor.

To this end, I am going to talk to you about **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) and **Birchcliff Energy** ([TSX:BIR](#)). These two penny stocks in the energy sector have share prices below \$3. Let us take a look at both of them to try to determine whether the stocks make compelling buys for you in the quest to become a wealthy penny stock investor.

### Baytex Energy

Baytex is a Calgary-based Canadian producer, developer, and explorer of natural gas and oil. The share prices for Baytex are \$1.79 at the time of writing, making them a highly affordable stock for high-risk and speculative investors. Still, let us take a good look at the company before you make any decisions to buy in bulk. There are other factors to consider as well.

The second-quarter financial reports for Baytex at the beginning of August 2019 were phenomenal. Despite a strong Q2 2019 performance, the share prices for Baytex finished August [16% lower](#) than where they began, and this should give you a reason to think hard before investing in the penny stock.

Stable oil prices meant that the Canadian energy sector generally fared well compared to U.S. energy companies. Baytex displayed exceptional performance in the industry, generating record levels of free cash flow much like the rest of the industry. The company exceeded the high end of estimated production goals, yet Baytex suffered due to low energy prices.

Companies like Baytex are struggling due to energy prices being a fraction of what they were just a few years ago. Baytex is one of the riskier stocks on the Canadian stock market. Still, the company is making moves to improve its position by using its free cash flow to reposition itself.

## Birchcliff Energy

Birchcliff is a penny stock priced at \$2.05 per share at the time of writing, and the energy sector minnow is a company I feel more confident about. Birchcliff is mainly a natural gas producer that also focuses on liquids with an estimated 22% of production focused on oil production. The energy company is performing well, increasing guidance figures for production.

Birchcliff has managed to decrease operating costs consistently. The company achieved a record low in operating expenses for Q2 2019. Birchcliff's operating costs are comparable to just \$3.17 per barrel of oil this year. The company, as a result, has managed to increase its cash flow.

Birchcliff is also strong for [a 4.7% yield](#), and analysts consider the company's stocks to be dirt cheap with massive upward potential. The company has an EV/EBITDA ratio of lower than four times, making Birchcliff stocks undervalued at \$2.05 per share.

## Foolish takeaway

Baytex stocks are affordable right now. It would make all the sense in the world to buy plenty of shares of the company. But, based on the weak results in the past few months, there are not a lot of signs that we can see the current narrative changing for Baytex. The market continues to show volatility. If you are not a high-risk investor, I will caution you to be wary of BTE.

Birchcliff, in stark contrast, seems like a top opportunity in the industry, which offers plenty of value after taking a hammering for so long. The energy company seems undervalued at \$2.05, and I feel that Birchcliff could promise substantial gains for high-risk investors.

As I said, penny stocks are risky, and you should never dive in with a blindfold on. Conduct your due research, consider the possibilities of gains and losses, and finally cross your fingers before buying the shares. There is a chance that these energy stocks can make you a wealthy investor, but you can never know unless you go for it.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:BTE (Baytex Energy Corp.)

### PARTNER-FEEDS

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