



TFSA Investors: 3 Explosive Penny Stocks to Buy for 2020

Description

Hi there, Fools. I'm back to highlight three stocks under \$8 at writing. While low-priced stocks carry plenty of risks, they can be a source of ideas when looking for small, obscure, and [underfollowed companies](#); dirt-cheap bargains; or intriguing turnaround situations.

If you have big dreams of turning an average [\\$27K TFSA](#) into \$1,000,000 in 20 years, you'll need explosive returns to do it. Although low-priced stocks are on the volatile side, the upside return potential might be well worth the risk.

Let's get to it.

MEGA value

Leading off our list is embattled energy producer **MEG Energy** ([TSX:MEG](#)), which is down a whopping 50% over the past year and currently trades at \$5.23 per share at writing.

Weak energy prices, disappointing production, and balance sheet fears continue to weigh heavily on the stock. In the most recent quarter, EPS of -\$0.21 missed estimates by a huge \$0.39 even as revenue climbed 54% to \$1.1 billion.

On the positive side, MEG managed to post record free cash flow during the quarter as well as adjusted funds flow of \$227 million.

"Record free cash flow of \$195 million generated during the second quarter demonstrates MEG's ability to generate substantial value in a volatile market with our low-cost structure and our strategic access to high-valued markets," said CEO Derek Evans.

MEG shares have a beta of 0.4.

Golden value

Next up we have gold royalty company **Sandstorm Gold** ([TSX:SSL](#)), whose shares are up 40% over the past year and trade at \$7.50 per share at writing.

The stock has slipped a bit over the past few weeks, giving gold investors a possible value opportunity. In the most recent quarter, Sandstorm announced record revenue and gold equivalent ounces sold. Currently, the company produces stable cash flow from 23 producing mines with a credit facility of \$225 million.

“Sandstorm investors gain access to the diversified production and exploration upside of several gold mine assets, but reduce their exposure to the operational risks associated with a traditional mining investment,” writes the company. “Our portfolio consists of a stable base of cash-flowing royalties, and it’s growing.”

Sandstorm shares have a beta of -0.1.

Capping it off

Rounding out our list is oil and gas producer **Whitecap Resources** ([TSX:WCP](#)), which is down 12% so far in 2019 and currently trades at a lowly price of \$3.80 per share.

The stock has slumped in recent weeks on sluggish energy prices and balance sheet concerns, but now might be an opportune time to jump in. This past summer, management said it would reduce its second-half capital expenditures program by 17%.

Meanwhile, the company’s full-year production guidance of 70,000-72,000 boe/d remains unchanged.

“Our long-term strategy is prioritized to protect the balance sheet first, maintain a sustainable dividend second and generate a moderate growth rate while retaining future financial optionality to enhance shareholder returns,” said Whitecap.

Whitecap currently sports a beta of 1.8.

The bottom line

There you have it, Fools: three amazing stocks under \$8 worth checking out.

As always, don’t see them as formal recommendations. Instead, view them as a starting point for more research. Low-priced stocks are particularly fickle beasts, so plenty of homework is still required.

Fool on.

CATEGORY

1. Energy Stocks
2. Investing

3. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:SSL (Sandstorm Gold Ltd.)
2. TSX:WCP (Whitecap Resources Inc.)

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