3 TSX Penny Stocks to Buy Now in 2020

Description

If you're looking for cheap penny stocks, you've come to the right place.

Below are three that you can consider buying now in 2020. Some have the potential to double your money!

Energy infrastructure penny stock

From the March market crash low, **Tidewater Midstream & Infrastructure** (TSX:TWM) stock made an impressive comeback by more than doubling! Yet it's still cheap at under $1 per share.

Specifically, at writing, it trades at $0.92 per share. In a more normalized environment, the stock can trade in the $1.20-$1.50 range. This represents upside potential of 30-63%.

That said, the penny stock has run up a lot — by 28% in the last week alone. Therefore, it'd be more prudent to buy shares on dips to about $0.70 per share. Investors who buy at $0.70 have a good chance to double their money over the next few years.

Moreover, the energy stock also offers a yield of 4.3% to boost total returns. Its Q1 distributable cash flow payout ratio was 27%.

In today's low energy price environment, Tidewater's energy storage and pipeline assets are more defensive than oil and gas producers'. It estimates adjusted EBITDA of $175-$185 million in 2020.

Additionally, Tidewater expects to accelerate deleveraging by achieving a net debt to adjusted EBITDA of about three to 3.5 times by the end of the year, assuming it closes the sale of the Pioneer Pipeline.

Energy penny stock

More aggressive investors can consider oil and gas producers like **Birchcliff Energy** (TSX:BIR), especially when the WTI oil price falls to US$30 per barrel or lower. Currently, the WTI price is at about

US$38 per barrel.

It's going to be a tough year for Birchcliff. The gas-weighted producer estimates average production of about 79,000 barrels of oil equivalent this year, which would allow it to generate adjusted funds flow of about $161 million but negative free funds flow of about $124 million due to funding and development capital spending of roughly $285 million.

Birchcliff recently cut its dividend but still pays a yield of 1.7%. On a multi-year turnaround over a few years, the stock can roughly double from the current levels of $1.17 per share.

Forest products penny stock

Western Forest Products (TSX:WEF) had multiple impacts recently. Strike action, COVID-19, and a weak North American market all led to its reporting revenue decline of 64% to $99.1 million and a negative adjusted EBITDA of $17.4 million for Q1. The strike action ended in mid-February. Therefore, that headwind has subsided.

The forest products company couldn't help but suspend its quarterly dividend for now. As things improve, it should reinstate the dividend in the future.

Western Forest Products ended Q1 with a liquidity of $113.5 million, which was more than enough for its operating needs.

The penny stock currently trades at $0.90 per share. On a turnaround over a few years, the stock could double from current levels.

The Foolish takeaway

Penny stocks tend to be above-average volatile and risky. Not every investor has an appetite for them. Of the three discussed above, Tidewater is the most conservative.

Investors should diversify their investment portfolio with other stocks that are also cheap and can deliver outsized returns.

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1. Dividend Stocks
2. Energy Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:TWM (Tidewater Midstream and Infrastructure Ltd.)

3. TSX:WEF (Western Forest Products Inc.)

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