



Must-Buys: 2 Energy Stocks Below \$4 Have Returns of More Than 400%

Description

Trading volume is the gauge of some people when buying and selling stocks. Also, herd behaviour exists in the stock market when you see investors follow or copy what others are doing. **Baytex Energy** ([TSX:BTE](#))([NYSE:BTE](#)) is one of the heavily traded stocks, because it's cheap and continues to deliver [enormous returns](#).

The trading volume of **Pipestone Energy** ([TSX:PIPE](#)) pales in comparison, but it's a [must-buy](#) stock like Baytex. If you want to ride on the momentum of [energy sector](#), invest in both companies. These two energy stocks trade under \$4 share and have gains of more than 400% year to date. Based on market analysts' forecasts, the share prices could still double in 2022.

Significant cash flows

Baytex Energy operates in the Western Canadian Sedimentary Basin and in the Eagle Ford in the United States. The \$2.25 billion oil and gas company is generating significant cash flows this year and is no longer in the red like in 2020.

In the nine months ended September 30, 2021, petroleum and natural gas sales increased 77.37% to \$1.31 billion versus the same period in 2020. Net income was \$1.05 billion compared to the \$2.66 billion net loss a year ago. Its free cash flow after three quarters reached \$284 million.

Ed LaFehr, president and CEO of Baytex, said that at the current commodity prices, the company could end the year with more than \$400 million in free cash flow. LaFehr reveals that Baytex will use 100% of this year's free cash flow to reduce net debt.

At the end of Q3 2021, Baytex had \$454 million in working capital and around \$1 billion in credit facilities maturing on April 2, 2024. The most recent development is the approved 2022 capital budget of \$400 to \$450 million that should enable Baytex to generate average annual production of 80,000 to 83,000 barrels of oil equivalent per day (boe/d).

LaFeher adds that Baytex's five-year outlook (2021 to 2025) highlights its financial and operational

sustainability. It also indicates the ability to generate meaningful free cash flow. If successful, management plans to enhance shareholder returns via dividends or share buybacks. The current share price is \$3.57 (+417.39% year to date) if you invest today.

Record revenue, production, and cash flow

In Q3 2021, Pipestone Energy delivered a third consecutive record quarter in revenue, production, and cash flow. On the stock market, the energy stock is among TSX's high flyers. At \$3.75 per share, the year-to-date gain is an eye-popping 459.7%. Assuming you'd invested \$5,000 in this energy stock on year-end 2020, your capital would be worth \$27,985.07 on December 21, 2021.

Because of continued production growth and improving commodity prices in the third quarter, Pipestone generated record revenue of \$100.2 million, nearly triple the amount in Q3 2020. Its net income was \$18.75 million compared to the \$11.48 million net loss a year ago. The quarter's highlight was the \$86.05 million cash from operating activities — a whopping 172.74%.

This \$742.91 million oil and gas exploration and production company boasts a large contiguous and condensate-rich Montney asset base. Its capital spending of \$180 to \$200 million in 2022 should increase full-year average production to between 34,000 and 36,000 boe/d.

Colossal returns

Prioritize Baytex and Pipestone if you're investing in energy stocks. They are both high-growth stocks with colossal return potential.

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