3 Growth Stocks That Would Make Good Candidates for Your TFSA

Description

This year has proven to be a good year for growth investors.

Since the start of the year, growth stocks are up an impressive 18%, while value stocks have returned just 6%.

Led by the "FAANG" stocks, **Facebook Inc.**, **Apple Inc.**, **Amazon.com, Inc.**, **Netflix, Inc.**, and **Alphabet Inc.**, it's the growth style of investing that has done much of the heavy lifting thus far, driving the **S&P 500** to all-time highs.

But while it's been a nice run for those who have been riding the FAANG stocks to the top, many are starting to raise questions as to whether the stocks of those five companies are getting a little on the expensive side.

Luckily for investors, the three stocks that make this list offer above-market growth potential and, even better, trade at reasonable valuations today, meaning they aren't too expensive, but offer growth at a reasonable price.

Cineplex Inc. (TSX:CGX)

Cineplex has found itself one of the victims of this summer's underwhelming box office results, but it still offers solid long-term prospects.

CGX shares fell 30% in August on weak second-quarter results, but they have rallied 10% since the end of the month — an encouraging sign the market has found a bottom, and investors are seeing value at current levels.

Cineplex pays a $0.14 monthly dividend, which works out to $1.68 annually. Following the August sell-off, shares now trade at an attractive 4.40% yield.

And while the company's payout ratio, at 138%, may make you wonder if the dividend is in jeopardy, the payout is well supported by strong cash flows from operations and a demonstrable track record of growth, including five-year average earnings growth of 10%.

Even last quarter, which included disappointing earnings numbers, Cineplex saw the top line grow by 7.7% as the company marked a new all-time high in terms of revenue generated per theatre attendee.

DHX MEDIA LTD CLASS B (TSX:DHX.B)

Part of the explanation for weaker box office results this summer has been attributed to "sequel fatigue," but an equally reasonable explanation is that more people are streaming or downloading their video content.

DHX Media is one way to take advantage of the trend towards online viewing and over-the-top services like Netflix, Hulu, and CraveTV.

DHX is the world's leading children's content pure play.

The company boasts an impressive line-up of quality children's programming, including *Teletubbies*, *Caillou*, and *Degrassi: The Next Generation.*

As streaming services like Netflix look to bolster their programming and round out their offerings for children and families, DHX will look to continue to convert its content library into sales and profits.

Macdonald Dettwiler & Associates Ltd, (TSX:MDA)

MDA is a communications and information systems company currently undergoing an aggressive push into the U.S. defence market.

Last year, MDA acquired DigitalGlobe, which was an important step to having a U.S. domiciled headquarters and becoming listed on the American exchanges — both prerequisites to bidding on U.S. government contracts.

The push to compete for U.S. defence contracts comes at an opportune time, as many are calling for enhanced border surveillance to deal with the ongoing problem of illegal immigrants entering the U.S. from Mexico.

If MDA is eventually successful in becoming a supplier for the U.S. federal government, it could have a dramatic impact on MDA's future prospects.

Conclusion

In a challenging market environment, with GDP suppressed across most developed economies, growth stocks will tend to be in favour over value stocks. Companies with above-average growth prospects don't necessarily require broader economic growth to outperform.

The three stocks that made this list each have unique growth drivers working behind them that should contribute to higher profits and share prices, for Foolish investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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