3 Red-Hot Growth Stocks to Carry Your TFSA Into September

Description

As a dedicated value investor, I'm always on the lookout for quality companies that no one wants. Going against the herd is the most tried-and-true approach for building long-term wealth, and following it has always served me well.

Of course, there are always exceptions.

It's not usually a good idea to buy a red-hot stock that investors are fighting to get their hands on, but it might make sense if the company consistently posts growth rates that justify the share price gains, remains *relatively* inexpensive compared to peers or operates in megatrend industry with tons of room to support rapid growth.

In other words, there are definitely instances in which a company's upside is worth paying up for.

To help locate these "justified momentum" plays for your TFSA, here are three companies that are all up more than 15% over the past month — but that are *also* growing their top-line at a rapid clip.

Check it out:

Company	**Trailing 12-month Revenue Growth**	**1-Month %**
Canopy Growth (TSX:WEED)(NYSE:CGC)	52.1%	65%
Goeasy (TSX:GSY)	16.5%	21%
Ritchie Bros Auctioneers (TSX:RBA)(NYSE:RBA)	15.9%	17%

As always, don't see these stocks as formal recommendations. Instead, view them as a jumping off point for further research. Momentum investing is always tricky, so extra caution is required.

With that said, goeasy strikes me as a particularly interesting play.

Goeasy does it

If you aren't familiar with goeasy, it's an alternative lender that lets consumers lease discretionary consumer products — electronics, furniture, appliances, etc. — under flexible agreements. The company also makes personal loans from $500 to $25,000.

In other words, they give financially strapped Canadians — a portion of the population that continues to balloon — access to gadgets and credit. In fact, 76% of goeasy's applicants are approved.

Now, say what you will about the "predatory" nature of the business, but one thing's for certain: goeasy is on fire. In Q2, revenue jumped 26% as its loan portfolio spiked 61% to $687 million. Meanwhile, operating income climbed 44% to $26.8 million.

"Our strategy of providing everyday Canadian consumers access to the funds they need, while helping put them on a path back to prime rates and better financial outcomes, continues to resonate," said CEO David Ingram. "During the quarter we generated record results across several key performance indicators including loan applications, net customer growth and loan originations."

Given the company's strong operating momentum, it's easy to see why the stock is performing so well.

But have the shares flown *too* high? I don't think so. With a forward P/E of just 11, goeasy even seems attractively priced. Furthermore, the stock sports a dividend yield of 1.8%, providing an extra bit of comfort.

The bottom line

There you have it, Fools: goeasy looks like a momentum stock that's actually worth hopping on. As unfortunate as it is, I don't see the debt-driven consumer spending of Canadians slowing anytime soon. Goeasy remains a potent, reasonably priced way to play that trend.

Fool on.

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2. NYSE:RBA (Ritchie Bros. Auctioneers)
3. TSX:GSY (goeasy Ltd.)
4. TSX:RBA (Ritchie Bros. Auctioneers)
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