1 TFSA Growth Star to Buy and Forget

Description

The best stocks to include in a TFSA would be ones that have rapidly growing dividends and steadily increasing capital appreciation. While some stocks of this nature like **Canadian National Railway** (TSX:CNR)(NYSE:CNI) are well-known dividend growth stars, others occur in industries that are not known to be steady wealth-generators. Hidden gems can be found in sectors of the Canadian stock market, but you have to look for them.

Canada's clothing industry would certainly not seem to be the place to look for a steady, income generating stock. Companies like **Canada Goose Inc.** (TSX:GOOS)(NYSE:GOOSE) and **Lululemon Athletica Inc.** (NASDAQ:LULU) have generally occupied the spotlight. While investors have made a lot of money on these stocks, they are extremely volatile and do not pay a dividend.

Out of all the clothes manufacturers in Canada, **Gildan Activewear Inc.** (TSX:GIL)(NYSE:GIL) strikes me as being one of the best potential long-term plays in the space that could generate years of growth in your TFSA. The reason comes down to its focus on basic clothing options, such as underwear, undershirts, and basic hoodies. Its clothes are simple, basic staples that pretty much everyone is going to use. In a sense, Gildan is almost the consumer staple option for clothing industry investment.

The company's focus on specialized, staple clothing has led to some solid results over the past several years. In the previously reported Q3 2018 results, Gildan posted 5% growth in total revenues, which were largely driven by double-digit growth in its active wear segment. Basic earnings per share were also up just over 5%, representing solid, if not glowing earnings from the clothing manufacturer.

At the moment, most of Gildan's revenues come from North America, but there is a significant amount of growth coming from international markets. In the third quarter, sales from international markets were up 28%. These markets will likely be a growth driver for the company in the future as well.

The dividend is not huge at 1.3%, but this small yield is growing at a rapid pace. For the past several years, Gildan has been growing its dividend by around 20% a year. As the stock has also been increasing steadily, the quickly growing yield has been matched by an equal amount of growth in capital appreciation. It is this sort of stock that benefits from price and yield growth that makes a powerful addition to your TFSA.

In addition to providing investors with steadily growing dividends, Gildan has also been returning capital to shareholders through share buybacks. Over the past few years, Gildan has been reducing its share count, which in turn should increase the value of each share, as the shares are purchased and retired by the company.

If you take a look at a long-term, 10-20 year chart for Gildan, the pattern of long-term growth becomes obvious. Investors have benefitted, and will continue to benefit, from the company's long-term strategy. It is one of the cheaper companies in the space, leaving room for multiple expansion as it continues on its path to steady growth. Gildan is one stock you can look at to include in your TFSA for long-term capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

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