Millennial TFSA Investors: Buy the Dip in This Sexy but Choppy Growth Juggernaut

Description

As the average life expectancy rises in conjunction with retirement ages (it used to be 65, but for millennials, will it be 67 or 70?), today's young people need to seriously think about growing their wealth in the quickest way possible in a smart and calculated way.

By the quickest way possible, I don't mean speculating on Bitcoin or any other "worthless" bubble assets to score a quick buck over a week or two. I mean maximizing your risk-adjusted returns (returns adjusted for the risks you'll bear) over an investment horizon that spans decades.

It's sad to say, but the fixed-income securities your parents owned through the 1980s aren't going to cut it this generation. Bond yields are ridiculously low, unrewarding, and are just on par with the rate of inflation. That's marginal growth that's nearly negligible over time!

As time goes on, "risk-free" bonds become riskier, and "risky" equities become less risky. So, given that time is on your side, it's in your best interest to double down on growth kings for your TFSA now, so they have the most room to run.

Tucows (TSX:TC)(NASDAQ:TCX) is one of my favourite under-the-radar growth stocks out there. The internet services and domain registrar company is behind Hover, eNom, OpenSRS, and Ting. The latter company, a provider of wireless and fibre internet services, is Tucows's sexiest growth engine. And the former three companies form a "cash cow" foundation that keeps the growth engine humming.

Tucows is one of the largest domain registrars in the world, and it's a Canadian company that's available on the TSX. The stable nature of domain names and web hosting makes Tucows somewhat like a "digital REIT," but it's the growth potential behind Ting that has me most excited, as there's plenty of room to grow within its markets of interest.

Fellow Fool Will Ashworth put it best: Tucows isn't trying to bite off more than it can chew by trying tobe a nationwide provider of wireless and fibre internet. It's found its niche, and it's forming a moataround it — a terrific strategy that's led to outsized results over time.

More recently, Tucows stock fell off a cliff, with shares plunging 35% peak to trough thanks mainly to sub-optimal first-quarter numbers, which included an 18% year-over-year drop in net revenues alongside a 25% drop in net income. Yikes! The domain business was weak, as too was Ting for the quarter, but I think the downfall is nothing more than a temporary hiccup that could reverse over the coming months.

Tucows is a smooth operator that's consistently posted high double-digit ROE numbers. While 29 times trailing earnings may seem like a steep price to pay for an IT services and small telecom company, I'd argue that the blend of stability, agility, and growth are reasons enough to pay up for the high price of admission.

If you're a millennial with a bit of room in your TFSA, I wouldn't hesitate to get some skin in the game today with the intention of adding to your position on further weakness. Tucows is a solid growth stock that may be a choppy ride moving forward as bulk transfers and intense competition from the likes of other registrars like NameCheap cause elevated down and up moves for any given quarter.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:TCX (Tucows)
2. TSX:TC (Tucows)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date
2025/07/04
Date Created
2019/06/18
Author
joefrenette