TFSA Investors: 2 TSX Tech Stocks Can Turn $69,500 Into $1 Million

Description

While investors around the globe have experienced a significant decline in portfolio value, this bear market provides an opportunity to create massive wealth. The maximum contribution limit for the Tax-Free Savings Account (TFSA) is $69,500 and there might not be a better time to allocate a part of it to buy good quality stocks right now.

Warren Buffett always views a market decline as a buying opportunity as it is difficult to time the markets correctly. Here, I have identified two high growth stocks that are trading considerably below record highs that can be part of your TFSA.

Shopify stock is trading 44% below record highs

While the broader indexes are down over 30%, **Shopify** (TSX:SHOP)(NYSE:SHOP) shares have fallen by a massive 44% in the last month. Growth stocks tend to have a high beta and they underperform broader markets in a downturn. However, they also crush market returns in a bull run.

Despite the recent decline in Shopify shares, it has returned a staggering 1,850% since its IPO in May 2015. One reason that has exacerbated Shopify's decline is the company's exposure to small and medium-sized businesses that have experienced a shocking fall in consumer demand.

The COVID-19 has drastically reduced consumer spending in major countries as people are largely staying at home and buying essential products such as groceries and medicines. However, for a long-term investor, Shopify remains a winning bet.

Shopify stock continues to trade at a nose-bleed valuation. Its price-to-sales ratio is 27 and its price-to-earnings multiple is about 420. The shift to e-commerce will be a key driver of the company's top-line growth. Currently, like most growth companies, Shopify is focused on growth instead of profitability.

TFSA investors can consider this bear market-beating company

While Shopify has underperformed this bear market, **Kinaxis** (TSX:KXS) has fallen less than 10% in the last month. This Canada-based company provides supply chain software solutions to enterprises.

We can see that the supply chain is hugely important as the COVID-19 crisis has put tremendous pressure on global economies. Companies will keep modernizing their legacy systems in the upcoming years, which will drive Kinaxis top-line growth at a robust pace.

Kinaxis went public in June 2014 and has since returned over 600% in this period. It has been one of the top IPOs in the last decade and continues to post stellar results. In the fourth quarter of 2019, Kinaxis reported sales growth of 47%.

Its gross margin rose considerably to 74% in Q4 of 2019, up from 68% in the prior-year quarter while net income was up a stellar 168% at US$7.83 million.

In 2020, Kinaxis has forecast SaaS (software-as-service) sales growth between 23% and 25%. The company benefits from a high customer net retention rate. Further, it improved cash and short-term investments by a double-digit rate in 2019, allowing Kinaxis to reinvest into product development and customer acquisition.

TFSA withdrawals are tax free, which means investors need to ideally allocate equity investments to these accounts.

Growth stocks such as Shopify and Kinaxis have the potential to create considerable wealth, making them solid investments for your TFSA.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:SHOP (Shopify Inc.)

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Date

2025/07/05
Date Created
2020/03/20
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