TFSA Investors: 2 Growth Stocks to Buy Amid the Market Crash

Description

The **TSX Composite Index** has surged almost 20% since last week. However, the real test will begin soon. It will be interesting to see whether stocks keep trading strong when first-quarter earnings are out in the next few weeks.

Let's take a look at two mid-sized tech stocks that offer significant growth potential for long-term investors. Tax-Free Savings Account (TFSA) remains one of the best tax-efficient options for long term investors.

Holding these stocks in your TFSA will make any gains including dividends and stock appreciation, tax-free throughout the investment period.

Kinaxis

Kinaxis (TSX:KXS) is a $2.9 billion cloud-based service-as-a-software (SaaS) company that provides supply chain solutions. Notably, Kinaxis stock has fallen just 5% in March when broader markets were in a tailspin amid the virus outbreak.

Kinaxis's revenues have more than doubled in the last five years and management expects the rapid growth to continue going forward. Its business model of pursuing long-term contracts provides revenue stability and visibility. The company management intends to expand geographically and aims to enter new verticals in the next few years.

The current weakness in Kinaxis stock is apparent as the global supply chain has come to a halt amid the lockdowns. However, when things normalize, Kinaxis will play a major role in process management and in smoothing the supply chain.

Kinaxis stock looks to be trading at a premium at the moment. However, tech stocks with high-growth potential, operating in a high-margin industry deserves an above-average multiple.

If one had invested $10,000 in Kinaxis stock five years ago, he or she would have accumulated approximately $60,000 by now.

However, the stock still offers huge growth potential for the future. While its earnings might remain under pressure for the next couple of quarters as the pandemic dominates business activities, in the long term, Kinaxis's strong revenue visibility, and unique business model could reap significant benefits for investors.

Enghouse Systems

A $2 billion software company **Enghouse Systems** (TSX:ENGH) stock was weak since last month amid the virus outbreak. However, the stock has more than doubled in the last five years.

Enghouse Systems is specialized in acquiring technology companies that bring long-term value. It acquires smaller companies that have a minimum revenue of $5 million, a leadership position in their particular domain, and consistent profitability. It provides software services for customers operating in telecom, transportation, and customer engagement.

Based on those synergy benefits and consistent organic growth, Enghouse System has exhibited steady growth in revenues as well as in earnings in the last few years.

The company has consistently increased its dividends for the last 12 consecutive years. Though it has a yield of just 1.5%, there is an immense potential for dividend growth.

Enghouse stock is currently trading at a forward price-to-earnings multiple of 32 times. Although it looks expensive compared to broader markets, as stated, high-growth stocks generally have a higher valuation multiple.

Investors should note that its five-year historical average valuation comes around 32 times as well, indicating that the stock is fairly valued.

Enghouse stock has fallen more than 20% since its all-time high of $55 in February — providing a lucrative opportunity now to grab the high-growth stock offering solid long-term potential.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:KXS (Kinaxis Inc.)

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