



TFSA Investors: 2 Cash-Rich TSX Stocks to Buy With \$6,000

Description

High-quality, cash-rich stocks are on sale on the TSX right now. The recent market crash is a perfect chance for Tax-Free Savings Account (TFSA) investors to put their 2020, \$6,000 contribution to work. Today, you can maximize returns by buying stocks at a bargain and paying no tax on the capital gains, interest, or dividends.

Since the [TSX remains volatile](#), I suggest looking for stocks with cash-rich balance sheets and the capacity to grow, even during a recession. Split your \$6,000 TFSA contribution between these two cash-rich stocks and enjoy the wonder of compounding returns before your eyes.

This cash-rich stock is a compounding machine

If you are dreaming of an investment that could reach the stars, look no further than **Constellation Software** ([TSX:CSU](#)). This company has a [unique investment approach](#). It acquires good software-as-a-service (SaaS) businesses, injects capital, coaching, and infrastructure, and then lets them flourish to become exceptional cash-flowing businesses. That cash flow is then reinvested back into new SaaS acquisitions, and the process starts again.

Consequently, this business model has created a steadily growing, cash-compounding machine. In fact, over 70% of Constellation's revenues are re-occurring through licensing, maintenance, or other re-occurring services. In addition, its investments are diversified and exposed to a wide array of industries and sectors. This gives Constellation a relatively stable, predictable business platform.

Constellation is even more interesting, because of its solid balance sheet. It is a cash-rich stock. It has a cushy \$316 million of cash on its books. This provides a safety cushion due to potential COVID-19 uncertainty, and it provides an opportunity to capitalize in a recession.

There are literally thousands of SaaS businesses across the globe that Constellation could target. An economic crisis is a perfect opportunity for Constellation to hunt down good software businesses at bargain valuations.

Constellation is one of the best-performing stocks on the TSX. Over the past 10 years, it has returned a mind-blowing 3,052% total return for shareholders. If you invested \$3,000 in Constellation 10 years ago, your 68 shares would be worth around \$92,381 today. While that type of growth (40% annual return) might not be reasonable today, 15-20% annual growth is not an unreasonable expectation for this stock.

Own best-in-class businesses with this TSX stock

Brookfield Business Partners ([TSX:BBU.UN](#))([NYSE:BBU](#)) is another cash-rich stock to consider for your TFSA. It is a very unique subsidiary of **Brookfield Asset Management**.

Rather than hard assets, BBU manages a private equity portfolio of industrial, corporate, and infrastructure-service businesses. BBU acquires distressed or underperforming businesses, injects capital, restructures the operations, and turns them into market-leading companies.

Over the years, BBU has recycled smaller businesses and upgraded its portfolio into a number of very high-quality businesses. Some of these include an Australian private hospital operator, a global nuclear services provider, and a South American water and sewage services company.

You need to take a very long-term perspective with BBU. It is building businesses for the long haul. As a consequence, quarter-to-quarter results can be choppy. Yet its long-term strategy has started to pay off.

In 2019, BBU improved EBITDA and FFO per unit year over year by 44% and 39%, respectively. Over the past three years Brookfield has seen its FFO more than triple.

BBU is a cash-rich stock with \$274 million of cash on its balance sheet and an available \$2.1 billion of undrawn credit capacity. An economic downturn would be an excellent opportunity for BBU. Over this year, there will likely be many distressed companies looking for much-needed liquidity.

As a result, this trend could rapidly fuel BBU's long-term acquisition pipeline. Considering the opportunities, the company is trading cheaply today at about a 35% discount to estimated intrinsic value. Today is a great time to take advantage of this cheap stock with lots of growth ahead.

The Foolish takeaway

The markets are volatile, and short-term value is available if you are brave. Split your \$6,000 TFSA contribution between these two cash-rich stocks and enjoy a lifetime of compounding returns in your portfolio!

CATEGORY

1. Investing
2. Stocks for Beginners
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TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. TSX:BBU.UN (Brookfield Business Partners)
3. TSX:CSU (Constellation Software Inc.)

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