Young TFSA Investors: A TSX Stock for Big Upside

Description

Young Tax-Free Savings Account (TFSA) investors should seek to take calculated risks whenever there's a reasonable chance at landing amplified upside. As a younger investor, you've got all the time in the world to make up for soured investments.

So, don't be afraid to use a small portion of your TFSA funds to bet on those higher risk, higher reward bets, while your ability to take on said risks are still high.

Young TFSA investors: Don't fear risk-on plays!

As a youngster, it's all right to place bets on high upside 'risk-on' stocks. However, you should ensure that you are, in fact, investing and not speculating on moonshot bets (such as Bitcoin) with zero consideration for the fundamentals.

There's a difference between betting on a stock with a very high risk/reward trade-off and playing the game of greater fools (the greater fool theory is real, and no, it has nothing to do with the Motley Fool!). Unlike the latter, the former tilts the odds in your favour if you've put in the proper due diligence.

So, if you're a young TFSA investor with a willingness to take on elevated risks, consider some of the deep-value plays that still exist amid the coronavirus crisis. While many stocks have already begun to stage a recovery, some of the harder-hit names out there are still a country mile away from seeing their pre-pandemic heights.

It's these such stocks that I believe could be in for a significant upside correction over the coming months, as the layers of market uncertainty are gradually peeled away.

Spin Master falls into a tailspin

Consider shares of toymaker **Spin Master** (TSX:TOY), a former market darling that has since endured a profound fall from grace. Shares of the heavily-out-of-favour toymaker are down over 70% from its all-time high thanks to the insidious coronavirus, potentially allowing fearless young TFSA investors a chance to pay a dime to get a dollar if a return to normalcy happens sooner rather than later.

Spin Master had a tremendously successful IPO. Shares of TOY more than tripled in the three years after they landed on the **TSX Index** thanks in part to an incredible roster of hit toys, including Hatchimals, and a brilliant founder-led management team that had innovation in its veins.

The up-and-coming small-cap seemed like it could take on the likes of the dominant behemoths in the toy industry. But after a few operational hiccups and some profound industry headwinds (including the bankruptcy of Toys “R” Us, which left a massive void in the toy market), TOY stock eventually suffered a quick reversal of momentum.

And then came the insidious coronavirus, which decimated the global economy and rubbed salt in the wounds of the already stressed toymaker.

Spin Master stock has become too cheap for young TFSA investors to ignore

Spin has a tonne of baggage, but I think most of the damage, I believe, is already baked into the stock and then some.

On the bright side, Spin has a stellar balance sheet and more than enough liquidity to survive the coronavirus typhoon. Heck, I wouldn’t be surprised if the company further bolstered its portfolio with the acquisition of a smaller distressed player in the toy scene over the next year as it continues rolling with the punches that Mr. Market throws its way.

As the economy gradually reopens in phases and the appetite for discretionary goods looks to recover, I’d look to shares of TOY to lead the upward charge.

At the time of writing, Spin trades at a modest 1.78 times book — an absurdly low price to pay for an early-stage growth company that will live to see better days.

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