



TFSA Investors: Where to Invest \$6,000 Right Now?

Description

The Tax-Free Savings Account (TFSA) is a popular account for Canadians. While contributions to your TFSA are not tax deductible, [any withdrawals](#) in the form of dividends or capital gains are tax-free. The TFSA contribution limit for 2020 stands at \$6,000. So where do you invest this amount in a market that is extremely volatile?

TFSA holders should take a long-term stance while investing in equity markets. As withdrawals are tax-free, growth stocks remain a popular choice to build wealth over a period of time. For example, if you invested \$2,000 each in **Apple**, **Amazon**, and **Netflix**, in May 2010, the cumulative gains would have ballooned to over \$100,000.

Here I have identified two growth stocks trading on the **TSX** with the potential to generate multifold gains.

A tech stock for your TFSA

Canada's tech landscape is not robust, especially when you consider peer companies south of the border. However, over the last few years, this has started to change. Companies such as **Shopify**, **Descartes**, and **Kinaxis** have garnered investor attention. Another such tech company is **Lightspeed POS** ([TSX:LSPD](#)).

Lightspeed went public in March 2019 at a price of \$16 per share. The stock touched a record-high of \$49.7 last year. Concerns over valuation, a negative profit margin, and fears over COVID-19 sent the stock lower to \$10.5 two months back.

Lightspeed provides software solutions and support systems to small and medium-sized businesses. A significant portion of its client base includes players in the retail and hospitality space. Last week, Lightspeed [announced its](#) fiscal fourth quarter of 2020 results and reported sales of US\$36.3 million.

This was an increase of 70% year over year. Recurring sales were also up 70% and accounted for 88% of total revenue. Its gross margin rose to 63%, up from 58% in the prior-year quarter.

In fiscal 2020, LSPD sales were up 56% at US\$120.6 million with recurring sales at US\$107 million. This growth was driven by a stellar increase in [its customer base](#) that rose 56% to 76,500 in fiscal 2020.

While the company has not provided any guidance for fiscal 2021 or even the next quarter, its long-term prospects remain solid. Its SaaS (software-as-a-solution) platform is experiencing strong demand from the high growth e-commerce segment. As lockdown restrictions are lifted, the company should see a significant uptick in other verticals.

Docebo is well poised to beat broader markets

Shares of **Docebo** ([TSX:DCBO](#)) closed trading at \$27.4 on May 27. The stock has gained 166% in just over two months and is trading close to record highs. The company creates software, solutions, and support systems to train enterprises. Its cloud-based e-learning solutions are used by over 1,900 organizations.

At the end of March 2020, Docebo's annual recurring revenue stood at US\$52 million with 90% in recurring sales. Its recurring revenue was up 69%. The company has forecast the LMS (learning management solutions) market to grow at a compound annual growth rate of 21% from \$5.7 billion in 2018 to \$14.6 billion in 2021, giving it enough opportunities to expand the top-line.

Docebo has secured three-year contracts with 65% of its customers in 2019, which will help it tide over the current macro-economic situation that is uncertain. The company's average contract value has also risen from US\$10,000 in 2016 to US\$27,000 in the first quarter of 2020.

Lightspeed and Docebo are part of high-growth markets. Their focus on increasing recurring sales ensures a predictable stream of cash flow. A subscription-based model will help them offset business cyclicity, making them winning bets in good times and bad.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
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Author

araghunath

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