



## The Top 3 TFSA Stocks for May 2021

### Description

The stock market hit an all-time high earlier this year. Since then, the excitement has waned, and several growth stocks have declined precipitously. Meanwhile, the economy is reopening, and certain sectors of the economy are expecting an explosion of pent-up demand.

With that in mind, your Tax-Free Savings Account (TFSA) should probably be diverted to [stocks that are likely to rebound strongly](#) or be overlooked by other investors. Here are my top three picks for May 2021.

### TFSA stock #1

**Topicus** (TSX:TOI) has already received some coverage from my Fool colleagues. Unsurprisingly, the stock surged higher along with the rest of the tech market. From February to April, the stock gained 40% in value.

Since then, the tech market has tumbled, but Topicus has retained its gain. It's currently trading at \$88 — just 6.4% off its all-time high. That's because investors recognize the company's intrinsic value.

Topicus delivered €494.0 million (CA\$727 million) in revenue over the course of 2020. Net income was reported at €63.7 million (CA\$94 million) over the same period. Net income grew by 37% last year, so you can assume it may grow by roughly 30% this year. That means the current stock price is trading at a forward price-to-earnings ratio of 28.4.

In short, Topicus is undervalued and is probably one of the best TFSA stocks you can buy right now.

### TFSA stock #2

**Leon's Furniture** ([TSX:LNF](#)) is yet another overlooked TFSA stock. While growth investors were focused on tech stocks and value investors were focused on energy stocks, traditional retailers like Leon's have fallen under the radar.

Nevertheless, the stock is up 67% over the past year and is still trading at a price-to-earnings ratio of just 9.4. The stock also offers a lucrative 2.9% dividend yield.

The pandemic has convinced families and homebuyers to seek out more space. Larger homes and a record-high household savings rate could act as a tailwind for furniture retailers like Leon's. That makes it an undervalued economic rebound play and the perfect TFSA stock for 2021.

## TFSA stock #3

**Alimentation Couche-Tard** (TSX:ATD.A)(TSX:ATD.B) is yet another rebound play. Couche-Tard's convenience stores across North America may have already seen a surge in foot traffic. Domestic travel in the U.S. has quickly rebounded to pre-pandemic levels. Meanwhile, parts of Europe and Asia are opening up, too.

More travel means more fuel consumption, which should trickle down to Couche-Tard's bottom line. Meanwhile, the company has managed to sustain sales and gross margins on its convenience store items.

However, none of that has been priced into the stock yet. In fact, the stock is trading at the same level it was before the pandemic erupted. It trades at just 15 times earnings, and the dividend-payout ratio is under 10%, which makes it an attractively undervalued TFSA stock for 2021.

## Bottom line

If you expect an economic rebound in 2021, some of the undervalued TFSA stocks on this list should be on your watchlist.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:LNF (Leon's Furniture Limited)
3. TSXV:TOI (Topicus.Com Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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