3 Red-Hot Growth Stocks to Own in Your TFSA

Description

The Tax-Free Savings Account (TFSA) has been utilized by millions of Canadians since its inception in January 2009. Canadian investors can churn out tax-free income in this registered account or pursue a balanced approach. However, investors who want to maximize the potential of the TFSA should look to experiment with some of the top growth stocks on the TSX. Today, I want to look at three that have the potential to provide attractive capital growth over the course of the 2020s. Let's dive in.

This automation-focused stock is on a roll in 2021

ATS Automation (TSX:ATA) is the first growth stock I'd stash in my TFSA at the end of August. This Cambridge-based company provides automation solutions to a global client base. Back in September 2020, I'd discussed why automation-focused stocks had huge growth potential. Shares of ATS Automation have climbed over 100% in the year-to-date period.

The company unveiled its first-quarter fiscal 2022 results on August 11. Revenue grew 57% from the previous year to $510 million. Meanwhile, earnings from operations more than doubled from $21.1 million in Q1 FY2021 to $52.0 million. Its operating margin rose from 6.5% to 10.2%. Better yet, ATS Automation posted adjusted EBITDA of $77.9 million compared to $39.2 million for the same period in fiscal 2021.

Shares of this growth stock are still trading in solid value territory relative to its industry peers. The factory automation sector is geared up for more growth in the decade ahead. This is a growth stock you can trust in your TFSA for the long haul.

A growth stock that has regained momentum in the summer

The initial wave of the COVID-19 pandemic rattled markets across the board. However, one TSX stock managed to defy the early volatility. **Kinaxis** (TSX:KXS) is an Ottawa-based company that provides cloud-based subscription software for supply chain operations around the world. Shares of this growth stock have shot up 19% month over month.

Kinaxis attracted several global heavyweights in 2020. The COVID-19 pandemic disrupted international supply chains, illustrating the need for many companies to revamp their processes. This Canadian company is a revolutionary player in this space.

In Q2 2021, the company delivered SaaS revenue growth of 18% to $42.3 million. Kinaxis saw its earnings slip compared to the prior year largely due to a banner quarter in Q2 2020. This growth stock has started to pick up again, which should pique the interest of TFSA investors.

One more hot growth stock to add to your TFSA

Open Text (TSX:OTEX)(NASDAQ:OTEX) is the third and final growth stock I'd suggest for a TFSA today. This Waterloo-based company designs, develops, markets, and sells information management software and solutions. Its shares have increased 18% so far this year.

The company released its fourth-quarter and full-year 2021 results on August 5. Total revenues rose 8.1% year over year to $893 million. Its GAAP-based diluted earnings per share soared 560% from the prior year to $0.66. Open Text now offers a quarterly dividend of $0.221 per share, representing a modest 1.6% yield. TFSA investors can count on this growth stock's explosiveness and a little bit of income.

CATEGORY

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3. TSX:KXS (Kinaxis Inc.)
4. TSX:OTEX (Open Text Corporation)

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