Forget Roblox! Here’s 1 Cheaper TSX Growth Stock for Christmas!

Description

TSX investors should insist on sticking with good, old-fashioned value plays, as we inch closer to Christmas and the possible start of a Santa Claus rally. Indeed, growth stocks, especially those with elevated multiples, may seem like intriguing dip buys right about now after slogging through 2021.

As the growth trade sours further (think the names within Cathie Wood’s ARK funds), such names, while already hammered, could easily get crushed further. You see, it’s tough to gauge the price tag that should be placed on such high-growth names if all there is to go by is a double-digit price-to-sales multiple and nothing (or not much) in terms of profit.

Rate hikes coming: Prepare accordingly, RRSP investors!

Firms without a plan to move into profitability may not be sustainably profitable for many years down the road. Some may never be sustainably profitable! While there are the odd firms that move into and out of profitability, the key is a sustained move into the green and a continued trend of moving further into profitability. Undoubtedly, with high-multiple stocks with just revenue growth to go by, it’s really difficult to get a grasp of potential downside risks as a result of rising interest rates.

For your RRSP, insist on names that will help it remain standing, even if this growth selloff were to be just halfway or even a quarter way through. Profitable growth firms with underrated prospects, like **Spin Master** (TSX:TOY), are compelling stocking stuffers for the holidays.

RRSP investors: Taking Spin Master for a spin as it shifts gears

Spin Master is an easy company to overlook. It's a Canadian toy company that's endured some supply chain challenges over the past few years. With COVID weighing on the ability of such firms to have a truly blowout holiday season, Spin is one of the discretionary stocks you'd be inclined to write off. Ithink Q4 2021 expectations are quite muted. And that's exactly why I'd be a buyer for an RRSP. You're getting growth at a pretty reasonable valuation, and the firm has the ability to more than offset recent supply chain challenges.

The digital games business is really growing into something special. The firm's Toca Life series won awards in the App Store, and for good reason. It's a solid game that's really found a spot with its target consumer. Indeed, the Toca franchise draws similarities to **Roblox** and other metaverse plays. Only time will tell if Spin can continue growing its digital games segment at such an impressive rate.

Regardless, I think the company has the means to continue growing, despite COVID-induced disruptions. The pandemic may be a negative for the toy business, but the firm has found a way to turn it into a tailwind for digital games. Once Spin gets its supply chain optimized (likely before COVID goes endemic), expect a huge boost to toy sales, all while strength in digital remains.

The bottom line

I like Spin's formula, and at today's valuations, I think the stock is a must-buy for any long-term-focused RRSP that wants profitable growth without putting one at risk of a severe selloff, such as the one experienced by Cathie Wood-like names these days.

CATEGORY

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