TFSA Investors: 3 TSX Stocks to Outperform the Market

Description

TFSA Investors looking for high-quality stocks to outperform the market averages by a wide margin could consider buying the shares **Shopify** (TSX:SHOP)(NYSE:SHOP), **goeasy** (TSX:GSY), and **Telus** (TSX:T)(NYSE:TU). This article will focus on why one should add these TSX stocks to their TFSA portfolio.

Shopify

The economic reopening, valuation concerns, and a normalization in the growth rate have led to the selling of tech stocks, including Shopify. Given the selling, Shopify stock dropped about 18% in one month. I see this pullback in Shopify as an excellent opportunity to buy its stock and recommend that investors continue accumulating Shopify stock on further pullbacks.

I admit that Shopify's growth rate could moderate in the short term amid the reopening of retail locations. However, I am bullish over its long-term prospects and expect Shopify to continue to gain market share and capitalize on the ongoing migration of small- and medium-sized businesses towards omnichannel platforms.

Shopify's focus on product expansion, the addition of new sales and marketing channels, investments in fulfillment, and international expansion could continue to drive its merchant base. Meanwhile, increased penetration of its payments solutions, a growing number of merchant solutions, and operating leverage support my bullish view.

goeasy

Like Shopify, goeasy is also popular for creating significant wealth for its shareholders. Shares of this sub-prime lender have appreciated quite a lot and consistently outperformed the benchmark index.

goeasy is rapidly expanding, while its revenues and earnings have been growing at a double-digit rate for about two decades now. Overall, the large subprime lending market, dominant competitive positioning, new product launches, and channel expansion could continue to drive its top line. Moreover, strategic acquisitions, higher loan volumes, and ticket size will likely accelerate its top-line growth rate.

Thanks to higher sales, solid payment volumes, and operating leverage, goeasy's bottom line could grow at a double-digit rate in the coming years. It's worth noting that goeasy's high-quality earnings have led management to boost its shareholders' returns through higher dividend payments in the last seven consecutive years. Looking ahead, I expect goeasy to increase its dividends at a decent pace.

Telus

Telus is another top stock for your TFSA portfolio. Telus has consistently produced solid shareholders' returns thanks to its long history of delivering profitable growth.

I am upbeat about Telus's ability to grow its subscriber base and average revenue per user. Further, its diversified revenue sources, favourable sales mix, and cost optimization could continue to drive its revenues and margins. Also, expansion of its PureFibre and 5G coverage and strategic acquisitions will accelerate its growth rate and support the uptrend in its stock price.

Thanks to its strong earnings, Telus targets 7-10% growth in its annual dividends through the multi-year dividend-growth program. It's worth noting that Telus has distributed $15 billion in dividends since 2004. It pays a quarterly dividend of $0.327, translating into a yield of 4.4%.

Bottom line

These Canadian stocks have multiple growth vectors and strong upside potential. Adding these stocks to your TFSA portfolio will likely generate stellar tax-free gains in the long term.

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1. Investing

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1. Editor's Choice

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2. NYSE:TU (TELUS)
3. TSX:GSY (goeasy Ltd.)
4. TSX:SHOP (Shopify Inc.)
5. TSX:T (TELUS)

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