TFSA Investors: Here’s a Growth Stock Trading Like a Value Play

Description

TFSA investors have a tough job these days, with high levels of inflation persisting and a more hawkish Federal Reserve that could have one or two half-point hikes in store. In Canada, inflation is less hot, but it’s still a serious problem for consumers, many of whom are getting fed up with surging grocery bills and utility bills. After such a painful bout of inflation, it’s hard to tell what’s a good deal and what’s not anymore. In any case, I still think investors looking to protect their wealth from inflation should look to the equity markets, which, I believe, are still chock-full of bargains.

With rates on the rise, it’s easy to give up on the many growth darlings that led the markets higher in early 2021. While it’s tough to gauge when inflation and rates on the 10-year note will peak, I think we could witness such as soon as mid- to late 2022. Once inflation shows signs of cooling, the Fed may be able to step it down from half-point hikes to quarter-point ones. In any case, the pendulum looks to have overswung to the bearish side, with many thinking that central banks are now a foe after two years of acting as a friend.

In this piece, we’ll look at two growth stocks that are trading at value multiples. Such names are hard to find in the U.S. market. In Canada, though, there do exist, and Canadians may wish to stick to this side of the border when going on the hunt for opportunities to make a real return whilst minimizing risks.

Currently, **Spin Master** (TSX:TOY) is just one of the many intriguing earnings growers that look to be disguised as a value play. In due time, as investors rotate out of speculative growth into cash flow-generative earnings growers, such names could be in for substantial multiple expansion.

Spin Master

Spin Master is a toy giant that’s been fluctuating wildly after seeing its relief rally run out of steam. The $4.6 billion company has done a great job navigating through this pandemic environment. With a fast-growing digital games segment and many intriguing offerings in its pipeline, I think investors are getting a lot for the modest price of admission (shares currently go for just 18.9 times trailing earnings with the stock at $45 and change per share). Further, the balance sheet is solid, allowing the firm to take advantage of opportunities within the space to bolster its deep line-up of brands, ranging from Gund to

PAW Patrol.

Spin provides a great mix of classic toys and next-generation offerings. Arguably, Spin is one of the most innovative toy firms in North America. Come the holidays, I'd look for the company to impress now that it has new managers hard at work easing the pains of recent supply chain constraints.

With such a low bar, it's hard to pass up on a name that could see double-digit earnings growth come the economy's next charge higher. Though we're due for a slowdown, I think it's hard to ignore the longer-term fundamentals in a quality mid-cap like Spin. It's definitely worth a spin now that its shares have fallen into a consolidation channel.

Are there headwinds over the medium term?

Indeed, there are. Supply chain problems have plagued many firms, including Spin. But where Spin shines is its incredible roster of brands that should outlast any such headwinds.

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