3 Smart TSX Stocks for TFSA Investors to Buy

Description

Long-term investing is mainly about making regular contributions with discipline and patience. Canadians are fortunate to have a Tax-Free Savings Account (TFSA) to facilitate this. Unlike the name, it's not a savings account, but it can hold several investment instruments. Also, the capital gains, interest, and dividend generated within the TFSA are tax-free throughout the holding period and at withdrawal.

You can consider these TSX stocks for your TFSA investments.

Air Canada

Air Canada (TSX:AC) stock has gained 10%, while TSX stocks at large are marginally down this year. After the pandemic, higher jet fuel prices could hinder its profitability. However, it still offers attractive growth prospects for long-term investors.

Air Canada will report its Q1 2022 earnings on April 26. Though the profitability could still be far, its superior revenue growth will likely lift investor sentiment. Also, Air Canada's expected lower cash burn and the management's upbeat commentary might help the stock.

Air Canada has one of the strongest balance sheets among its North American peers. Its solid liquidity position is enough to fund operations and growth projects in the post-pandemic period.

So, I think the worst is over for AC investors, and it's the start of its grand recovery. Higher demand in the post-pandemic world will drive its slow-but-steady recovery. In addition, the downside in the AC stock from its current levels seems limited.

Tourmaline Oil

I first recommended **Tourmaline Oil** (TSX:TOU) stock in March last year. It has returned 170% since then. Despite the strong gains, TOU stock offers immense growth potential from its current levels.

Tourmaline Oil is a $21 billion biggest natural gas producer in Canada. In the last year or more, the company has improved its scale and operational efficiency. The same is visible in expanded profit margins. Interestingly, these conversions coincided with the steep natural gas price rally since last year.

As a result, Tourmaline Oil has seen a massive jump in its free cash flows in the last few quarters. Notably, despite allocating higher for capital projects and aggressively repaying debt, the company is still sitting on a hoard of cash. Thus, it has increased its dividend and issued special dividend on multiple occasions since last year.

The trend could continue with natural gas prices currently trading close to its 14-year highs. In addition, improving financials and higher expected dividends could continue to create meaningful value for its long-term shareholders.

Shopify

I think Canada's top value creator **Shopify** (TSX:SHOP)(NYSE:SHOP) is now reasonably valued, mainly after its steep drop. SHOP stock is down 60% this year and 73% since September last year.

Though Shopify has given a subdued growth outlook for 2022, it will still be above industry peers. Its increasing market share in the U.S. retail e-commerce and strong, expanding product base will likely drive growth in the future.

Moreover, its healthy revenue growth and solid margins underline strong growth prospects for the long term. SHOP stock is currently trading 25 times its earnings, a valuation multiple not seen in years. So, though it might trade volatile in the short to medium term, SHOP looks appealing for the long term after the recent drop.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:AC (Air Canada)
3. TSX:SHOP (Shopify Inc.)
4. TSX:TOU (Tourmaline Oil Corp.)

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