TFSA Cash: 2 TSX Stocks to Create Tax-Free Wealth

Description

With top TSX stocks losing substantial value this year, investors have plenty of opportunities to allocate their $6,000 TFSA (Tax-Free Savings Account) cash. Let's look at two TSX stocks with a strong upside potential that can help create a significant amount of tax-free wealth in the long term.

Cargojet

Cargojet (TSX:CJT) is Canada's leading air cargo service provider. The stock has outperformed the TSX by a wide margin in the past and has compounded investors' wealth. Moreover, it has multiple growth catalysts, which indicates that Cargojet can create significant wealth for TFSA investors.

Despite the turmoil in the aviation sector, Cargojet is well positioned to capitalize on the continued demand for air cargo services. Further, as most airline companies are currently focusing on the passenger side due to the shortage of workers and other industry issues, Cargojet's on-time delivery track record will drive incremental business.

Cargojet benefits from its strong domestic network and next-day delivery capabilities. Meanwhile, its ability to retain top customers, long-term contracts, minimum revenue guarantee, fuel-efficient fleet, and option to pass costs to its customers are positives.

It's worth mentioning that Cargojet delivered solid top-line growth (revenue increased 43% year over year) in the second quarter (Q2) despite the slowdown in the e-commerce sector. Further, its free cash flows grew at a double-digit rate. Cargojet's business will likely get a significant boost as e-commerce penetration increases in Canada and growth reaccelerates.

Also, Cargojet continues to expand its top client list, including Canada Post, DHL, **Amazon**, and UPS, which should support its long-term growth. Moreover, the ongoing momentum in its charter and ACMI (Aircraft, Crew, Maintenance, and Insurance) businesses will likely support its growth. Further, Cargojet has a strong balance sheet with leverage at an all-time low.

Cargojet's strong base business and multiple growth catalysts make it a solid stock for your TFSA portfolio.

Lightspeed

Lightspeed (TSX:LSPD)(NYSE:LSPD) provides an omnichannel commerce platform. The stock got a significant beating and lost about 79% of its value in one year. This massive decline in Lightspeed stock followed a short report from Spruce Point. Further, general market selling in tech stocks amid fears of economic slowdown dragged it lower.

Despite concerns over its growth, Lightspeed's business is growing rapidly. Its omnichannel platform has allowed it to deliver solid organic sales, even amid a slowdown in e-commerce growth. Notably, its flagship products — Lightspeed Retail and Lightspeed Restaurant — continue to benefit from solid demand due to economic reopening and an increase in outdoor dining and in-store shopping.

For context, Lightspeed delivered organic growth (in the subscription and transaction-based revenues) of 38% year over year in Q1 of fiscal year (FY) 2023. Further, the company remains upbeat and expects to deliver organic growth of 35-40% in FY23.

Its gross payment volume continues to grow rapidly, and software adoption among customers remains high. Further, its growing payment penetration rate, expansion of customer locations, the introduction of new modules, and adoption of multiple modules by exiting customers bode well for growth. Also, its focus on acquisitions and entry into new verticals and markets will likely accelerate its growth.

While its long-term fundamentals remain strong, its stock looks attractive on the valuation front. It trades at the next 12-month enterprise value/sales multiple of 2.7, which is well below its historical average of 16.8.

Overall, its low valuation and strong growth position it well to deliver multi-fold returns in the long term.

CATEGORY

1. Investing

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2. TSX:CJT (Cargojet Inc.)
3. TSX:LSPD (Lightspeed Commerce)

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1. Investing

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snahata