



TFSA Portfolio: The 3 Best Stocks to Add While They Are Cheap

Description

The selloff in the stock market presents plenty of investment opportunities for investors. So, if you plan to put your \$6,000 TFSA (Tax-Free Savings Account) contribution in stocks, here are my top three picks that could deliver superior returns and diversify your TFSA portfolio.

Cargojet

Leading air cargo service provider **Cargojet** ([TSX:CJT](#)) is an attractive investment at current levels for your [TFSA portfolio](#). Cargojet stock has declined nearly 37% from its 52-week high. Thanks to this decline, Cargojet stock is trading at a forward price-to-earnings multiple of 18.3, which is near its three-year low.

While Cargojet stock is trading cheap compared to its historical average, its core business continues to perform well. For the first six months of 2022, Cargojet's revenue grew by 44.5%. This growth comes despite the moderation in e-commerce demand. Further, its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margin and free cash flows showed significant improvement.

Cargojet's expansive domestic network and next-day delivery capabilities to most Canadian households provide an edge over the competition. Further, the retention of top customers and the addition of new clients bode well for growth. Cargojet also benefits from long-term contracts, the ability to pass costs to customers, and a minimum revenue-guarantee arrangement.

While its base business remains strong, a reacceleration in e-commerce demand and its growing penetration will support Cargojet's financials. Further, Cargojet sports a solid balance sheet and is lowering debt, which is positive.

Aritzia

Aritzia ([TSX:ATZ](#)) is a consumer stock that has multiplied its shareholders' wealth. Shares of this multi-

channel fashion retailer have gained over 148% in three years, representing a CAGR (compound annual growth rate) of approximately 35%. While Aritzia stock has delivered solid returns, it has corrected nearly 29% from its highs due to the recent selling in the market. This provides an opportunity for TFSA investors to invest in this fast-growing company.

It's worth mentioning that Aritzia's revenues grew at a CAGR of 19% since FY18. During the same time, its net income increased at a CAGR of 29%.

Aritzia's management is confident in delivering solid organic sales and profitable growth. Its focus on innovation, investments in brand awareness, geographic expansion through new boutique openings, strengthening of the e-commerce platform, and entry into new verticals augur well for future growth.

Lightspeed

Given the significant decline in [tech stocks](#), my final pick is **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)). Its share price has plunged over 84% in one year on concerns over its and general selling in the market. Due to this massive decline, Lightspeed's valuation is near its all-time low. Lightspeed's forward EV/sales (enterprise value relative to sales) multiple of 2.2 reflects a significant discount from its historical average.

Besides trading cheap, Lightspeed continues to deliver strong growth, which supports my bullish outlook.

Lightspeed's omnichannel offerings continue to drive growth, despite the slowdown in e-commerce demand. Further, it is benefiting from the easing of lockdown measures and a jump in in-person shopping and outdoor dining.

It delivered organic growth of 38% during the last reported quarter. Further, management is confident in delivering organic growth of 35-40% in FY23.

Lightspeed's growing gross payment volumes, strength in organic sales, and increased software adoption among its customers provide a solid platform for growth. Also, its growing payment penetration rate, the introduction of new modules, expansion of customer locations, and acquisitions will support its growth and lead to a recovery in its stock price.

CATEGORY

1. Investing

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1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:CJT (Cargojet Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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