Don’t Miss Out! Buy This Undervalued Dividend-Growth Company Today

Description

One of my favourite dividend-growth stocks is a little financial company with a $500 million market capitalization. **Goeasy Ltd.** (TSX:GSY) has been growing at an impressive pace and is close to becoming a Canadian Dividend Aristocrat.

What attracts me the company? That would be its current valuation and future growth prospects.

Valuation

Goeasy is trading at cheap 8.26 times forward earnings. Likewise, its P/E-to-growth (PEG) ratio is 0.55. A PEG under one signifies that the company’s share price is not keeping up with expected earnings growth. Thus, it is considered undervalued.

There are very few companies trading at such a low PEG ratio.

Earnings growth

This is where it gets exciting. Goeasy is expected to grow earnings per share (EPS) by 27% in 2018 and a further 31.8% in 2019. Is this achievable? Without question.

The company has a reliable history of income and EPS growth. Over the past five years, the company has grown income and EPS by 27% and 22%, respectively.

That’s not all! Assets and loans receivables have increased by 500% over the same time frame. A company with this type of performance will not fly under the radar for long.

The company recently entered a new loan segment, which will propel the company’s loan portfolio to new heights. Since entering the $18.1 billion non-prime consumer loan (<$30,000) segment, Goeasy has captured 2% of the market share. This is just the beginning.

Dividend growth

Goeasy has grown dividends for four consecutive years. It is one year shy of achieving Dividend Aristocrat status

. The company’s most recent increase was a hefty 25% announced this past February.

Since it began raising dividends in 2015, Goeasy’s dividend has more than doubled in size. Its compound annual growth rate (CAGR) is 41%!

Is this growth sustainable? The company’s payout ratio is a respectable 34%, and it is well positioned to continue its robust CAGR. At minimum, investors can expect the company to grow its dividend in line with earnings growth.

Put your faith in management

When I first brought the company to your attention back in February, Goeasy has gained just over 5%. Year to date, its share price has increased approximately 7%. Over the past year it has returned just shy of 48% for investors.

The best part? It has plenty of room to run.

Goeasy management has been as reliable as they come. Since 2011, the company has set revenue and return-on-equity targets. It has yet to miss on any of its posted financial targets. By 2020, the company expects to grow its consumer loan portfolio to $1 billion, up from the $601 million it posted in the first quarter.

Goeasy has slowly been gaining investor attention. Wait too long, and the opportunity to pick up this high-quality company on the cheap may pass you by.

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