Digging for Dividends in Canadian Stocks: goeasy Ltd. (TSX:GSY)

Description

It can be an interesting exercise to dig through some of the smaller companies that Canada has to offer. There are a number of them that have grown both their businesses and their dividends over the years, giving enterprising investors the opportunities to get in while the companies are still growing and developing.

However, there can also sometimes be increased risk, as these companies may not be as developed in their business models or as diversified as their larger counterparts.

Nevertheless, sometimes investors can find companies that are worth the risk. **goeasy** (TSX:GSY) may be one company that could turn out to be an interesting opportunity.

goeasy has two operating divisions: Easyfinancial and Easyhome. Easyfinancial provides alternative lending to people who cannot secure funding from larger institutions. The loans are, on average, around $5,000 with a 32-month term. With 233 Easyfinancial locations across Canada, the company receives approximately 70% of its revenue from this segment of the business, and that percentage has been growing over the past several years.

Easyhome is a provider of lease-to-own furniture and electronics. It is Canada's largest lease-to-own company, with 165 store locations across Canada. The Easyhome segment currently provides approximately 30% of the company's revenues. However, the percentage of revenues, as well as the absolute amount of revenue, has decreased over the years. In 2012, Easyhome provided $68 million (almost 50%) of revenues, while in 2018 this had shrunk to $52 million (30%) of total revenue.

The company's financials make a very appealing case for investment. Total revenue increased almost 22% year over year, and net income increased by just under 23%. The gross consumer loans receivable portfolio increased by over 55%. Operating margins declined from 41.2% to 36.7%, although the current margin is still quite healthy, especially when you consider that operating income was up 22.1% over the same quarter.

While the dividend was held steady for several years after the financial crisis of 2008, since 2015 it has been increasing at a rapid clip. The dividend at the current stock price is 2%, which includes a recent 25% increase. If company financials continue to grow as they have been growing, it is likely there will be more increases in the future.

In the end, investing in goeasy will largely come down to your opinion on the Canadian economy, as it operates entirely in this nation. At the moment, a strong Canadian economy, decent wage growth, and elevated real estate prices underpin the ability of the Canadian consumer to continue to service and pay back their debt loads.

But as has been well reported, property prices face headwinds in the form of government regulations and rising interest rates, not only in Canada but worldwide. Additionally, as has been well reported, Canadians are already highly indebted. For a company like goeasy, this could spell trouble in a hurry if the economy took a turn for the worse and Canadians en masse could no longer service afford payments.

If you believe Canada will continue to demonstrate economic strength, then this may be an excellent dividend stock to own. The quickly growing payout and excellent margins may provide a fabulous return. However, if you harbour any doubt as to the Canadian consumer, then sticking with a larger company may be a wiser choice.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/02
Date Created
2018/08/06
Author
krisknutson