1 Millennial Play to Rule Them All!

Description

In a prior piece, I touched upon some Canadian stocks that would help you “millennialize” your portfolio to able to capitalize on the millennials’ continued move toward peak consumer spending. The big takeaway from the piece is that millennials are more willing to spend their disposable income on comforts and conveniences. While remarkable, I believe there is a much more significant opportunity out there to play millennials.

Most millennial-related stories in the financial press tend to focus on the spending habits of millennials and how they differ from prior generations. What’s not mentioned is the fact that many millennials are burdened with an exorbitant amount of debt from the get-go.

For many millennials, major life milestones, including home ownership, have been delayed when compared to prior generations. This is both due to fewer job prospects and the insidious burden of student debt that’s weighed down an entire generation of Canadians. It’s clear that the rate of return for many university degrees are far lower than they were for the baby boomer generation. Thus, lower opportunities and a limited ability to repay student debt have left many of today’s young adults feeling trapped.

Consumer debt, like investments, tend to compound over time. If you let your consumer debt spiral out of control, you could find yourself with a profound amount of anti-wealth in a hurry!

Enter **goeasy Ltd.** (TSX:GSY), an alternative lender that’s poised to profit from a continued rise in debt-fuelled consumer spending, primarily from Canadians who have lost control of their finances. As you’d imagine, millennials may seem like the ideal client, and to millennials with five-figure student debt on their personal balance sheets, goeasy seems like a short-term way out.

While goeasy’s need-based lending practices may seem fair, the fact of the matter is that many heavily indebted borrowers are prone to buy discretionary items like video game consoles on a “want” basis.

Through easyhome (a division of goeasy), an indebted individual can lease the hottest discretionary gadgets or other “wants” for a couple of bucks per month.

Want a Playstation or an **Apple Inc.** Watch, but can’t afford it because you’ve got $50,000 in student loans on your shoulder? Goeasy has you covered, either through a lease or a loan so that you can buy the item outright. Goeasy says “yes” to around 76% of applicants, and a decision is usually made within 30 minutes in 89% of cases.

Infamous short-seller Marc Cohodes has mentioned goeasy with a bearish tone in the past, but I’d advise investors to take his words with a grain of salt. In the case of goeasy, I believe he’s making a moral bear call like Bill Ackman did with his prior **Herbalife Nutrition Ltd.** short.

Sure, goeasy may be considered a “predatory lender” that’s exacerbating Canadian indebtedness, but it's also poised to become a cash cow as the Canadian economy fuels more consumer spending.

Moreover, consumer debt and personal loans aren't as risky as mortgage debt. Any given goeasy consumer is more likely to be able to afford a lease on an Apple watch than with a hefty mortgage on a home. And given the rise of the subscription-based economy, I believe goeasy's easyhome may be a sensation as consumers, millennials in particular, opt to "subscribe" to physical items within their living quarters rather than paying up cash to own them.

Why buy a lamp or a quilt when you could just lease (or rent) it for a fraction of the price without the need to worry about obsolescence?

Goeasy is also in a fairly good liquidity situation compared to many other subprime lenders. The company's current ratio and quick ratio (measures of liquidity) have increased to 11.4, and 11.3, respectively. These liquidity metrics look to be on the uptrend over the last few years too. That means a **Home Capital Group Inc.** style liquidity crisis is likely out of the question.

Foolish takeaway

Up-and-coming firm goeasy could evolve into a huge cash cow as the economy heats up. While the easy loans can certainly be abused, the company is offering an in-demand service to folks like millennials, who may have been forced into an awful financial situation.

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