RRSP Investors: This Buy-and-Hold Forever Stock Is on Sale Today

Description

February is RRSP month. Have you made your contribution yet?

Millions of Canadian savers have, and many of them are looking for a stock or two to add to their portfolio. They want a company they can hold over the long term — one with the potential to deliver both capital gains and an ever-increasing dividend. These folks want something trading at a reasonable valuation, too. And, ideally, they'd like a stock with strong insider holdings, since there's nothing more bullish than top managers putting their money where their mouth is.

One Canadian stock offers all that and more. Let's take a closer look at **goeasy** (TSX:GSY), one of Canada's top growth stocks that happens to trade at a value stock valuation.

The opportunity

goeasy is in the process of putting a stranglehold on the Canadian non-prime credit market.

Borrowers looking for short-term cash don't have a lot of options these days. The previous choice, payday loans, has been regulated heavily in Canada by provinces looking to protect consumers. Some of these loans charged 25% interest for just a few days. That worked out to thousands of percentage point annualized.

goeasy has stepped in and filled this void. It offers an unsecured loan for approximately 45% annually. While this rate seems high to folks with good credit, it's a lifesaver for people who have bruised credit and need money quickly.

At the end of the day, consumers vote with their wallets, and it's obvious they're using goeasy's installment loan in ever-increasing numbers. Since 2013, the company has more than doubled its revenue from $213 million to $479 million. Earnings have increased even faster, going from $14 million to $43 million.

The loan portfolio recently surpassed $1 billion, but there's still plenty of potential for goeasy to grow.

The non-prime consumer market in Canada is worth approximately $186 billion, and the small loans subsection of that market is still worth more than $20 billion. goeasy has a lot of potential to consolidate this fragmented market.

It can also expand its product offerings. It recently added a product that offers homeowners up to $25,000 loans that come at a much lower rate because they're secured by property.

goeasy bears insist the company will be legislated out of existence by politicians eager to go after the new leader in subprime lending, but I just don't see it happening. Several provinces have passed legislation making the lender's disclosure practices more onerous, but that's all we've seen so far. Politicians know they could cut off access to credit for thousands of voters by making regulations too harsh.

And investors will be comfortable knowing insiders own approximately 29% of the company, and several have recently been buying shares. Would they be loading up if there was worry about new government regulations?

Valuation

We've established goeasy is a fantastic growth opportunity. It also happens to trade at an incredibly cheap valuation.

Shares currently trade hands at $40.52. Analysts are projecting the company earns $5.20 per share in 2019. That puts shares at less than eight times forward earnings.

Yes, it's true. goeasy really is a growth stock trading at a value price.

Dividend growth

goeasy has been a dividend-growth machine, and it still has plenty of potential to keep the party going.

The current payout is $0.225 per share on a quarterly basis — good enough for a 2.2% yield. Compare that to 2013, when the quarterly payment was $0.085 per share. That's an annual increase of approximately 20% a year.

Investors should be able to count on goeasy for dividend increases for years to come. The company paid out less than a third of its net income to shareholders over the last 12 months, and the bottom line is expected to jump nicely in 2019.

The bottom line

goeasy has everything a long-term investor should be looking for. It still has massive growth potential. It generates great profit margins. You can't beat its dividend-growth potential. And shares are ridiculously cheap at less than eight times forward earnings expectations.

This is the kind of stock investors should tuck away inside their RRSP for a very long time.

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