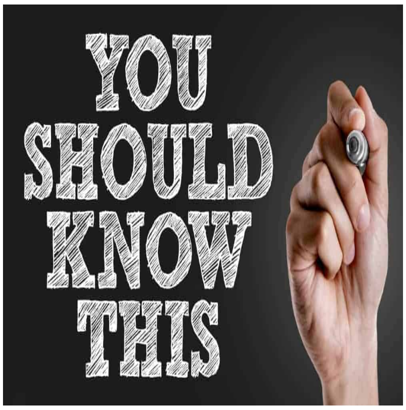

This Financial Stock Is a Must-Own for Your RRSP

Description

I've been touting **goeasy** (TSX:GSY) as an undervalued stock with significant upside. I also included the company as one my top financial stocks to buy in 2019. On Wednesday, the company posted blowout fourth quarter and year-end results. This solidified the investment thesis: goeasy is a fast-growing financial company that is undervalued.

Goeasy's quarterly results

After the bell on Wednesday, goeasy posted quarterly results that crushed analyst estimates. Earnings of $1.02 per share beat by $0.28 or 38% and revenue of $138.16 million beat by $34.87 million or 33.7%. Yes, you read that correctly. The company beat estimates on both the top and bottom lines by more than 30 per cent.

Year over year, goeasy grew earnings and revenue by 29% over the fourth quarter of 2017. It also marked the 35th consecutive quarter of same store sales growth. The company closed out the year with a book value of $1.06 billion, up 44% from December 31, 2017.

Top financial stock for growth

Since 2001, the company has grown revenue and earnings by a compound annual growth rate of 13% and 29%. You'd be hard pressed to find any financial, TSX-listed stock that can beat this explosive growth. The best part? After entering a few new markets in late 2017, the company's growth rate will remain in the double digits.

The company has guided to double-digit revenue growth through 2021 and intends to open between 10 and 20 easyfinancial stores annually over the same period. Gross loan receivable portfolio is expected to reach $1.6 billion by 2021, up from $833.8 million in 2018 — almost double in only three years.

Why I am I confident it will reach these targets? Since it began to issue guidance in 2011, it has never missed on its targets. Management is best in class.

A top value stock

As of writing, the company is trading a price-to-earnings (P/E) ratio of 14.8, which is in line with the sector. However, as we've discussed, the company's growth rate far exceeds the industry average. It is trading at only 10 times forward earnings and at a P/E to growth ratio of 0.5. This is very cheap. Famed value investor Peter Lynch popularized the PEG ratio. A PEG under 1 signifies that the company's share price is not keeping up with expected growth rates. It thus provides good value.

A top dividend stock

Goeasy has quietly emerged as a reliable dividend growth stock. Since it first started growing its dividend, it has average a dividend growth rate above 20%. It is also a rate on the rise. Along with fourth-quarter earnings, it announced a 38% raise to its quarterly dividend. With the raise, it has raised dividends for five consecutive years. Why is this important? Because this means that the company will achieve Dividend Aristocrat status in 2020.

As such, the company will gain additional legitimacy in the dividend growth community. It will start to show up on dividend growth screens and will be added to funds that track the Canadian Dividend Aristocrats, thereby increasing liquidity and the company's exposure. Goeasy will therefore not be mired in obscurity for much longer.

Foolish takeaway

Goeasy has a top management team, an explosive growth rate and offers investors with a great entry point. It makes an excellent pick for your Tax Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

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