



This Small-Cap Financial Stock Is on Fire

Description

goeasy ([TSX:GSY](#)) isn't well known, but since 2012, shares have exploded higher by nearly 1,000%. Since 2019 began, the stock price has increased by more than 40%.

What's so special about this company?

Simple but profitable

goeasy provides loans to consumers through more than 240 branches across Canada. Its personal loans typically range from \$500 to \$35,000. Loan types include both secured and unsecured personal loans as well as secured savings loans.

Interest rates start at 19.99%. Repayment dates range from nine to 60 months for unsecured loans and up to 10 years for secured loans.

In a nutshell, when Canadians need money, goeasy provides it.

Credit decisions can be made instantly, and funds can be deposited into a customer's account within 48 hours. The company prides itself on its industry-leading customer service metrics.

For example, 76% of applicants are approved for loans, 89% of credit decisions are made within 30 minutes, and 96% of customers are satisfied with their experiences.

While lending isn't an incredibly differentiated business, goeasy has put a heavy focus on customer experience. This has helped fuel revenue growth of 12.7% per year over the last 18 years.

In 2001, revenues were just \$66 million. Sales have grown every year since, reaching \$506 million in 2018.

Building a dividend dynasty

Last year, when shares were 20% lower, Fool contributor Mat Litalien [proposed](#) that goeasy was becoming a dividend superstar.

At the time, goeasy had announced a quarterly dividend of \$0.225 per share, a 25% increase from previous levels. That marked the fourth year in a row of dividend increases.

Litalien thought there was plenty of room left for the dividend to grow: "The company's payout ratio is a respectable 37.6%, which has ample room for continued growth," he said last year.

His prediction came true this February when the company hiked the quarterly dividend yet again to \$0.31 per share, a 38% rise. The current yield is around 2.5%.

Growth keeps coming

Over the next three years, goeasy management aims to open 30-60 new locations, grow revenues by 10-20% annually, and maintain returns on equity of roughly 25%.

If management's targets are met, there will likely be many more dividend increases to come. This could put goeasy on the radar of more institutional buyers and financial indexes.

"The company is well positioned to become a Canadian Dividend Aristocrat," Litalien concluded. "Achieving this status offers added benefits, such as its stock being added to several dividend growth funds and indexes as well as increased interest from retail investors."

As a financial services company, goeasy is vulnerable to a downturn in the Canadian economy. Under this scenario, its loan book might take a hit, but revenues could rise even quicker than expected due to a greater need for capital, especially considering more than half of Canadians have less than \$200 in savings.

Still, the best scenario possible is for the market and economy to hum along as consistently as it has over the past decade. In that case, goeasy shareholders should win.

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