3 Reasons to Buy goeasy (TSX:GSY) Stock Right Now

Description

goeasy Ltd (TSX:GSY) isn't well known, but it's one of the best-performing stocks in North America. Since 2012, shares have rocketed higher by nearly 1,000%.

With a market cap that remains under $1 billion, there could be plenty of upside left.

Even if this is your first time hearing about this company, you're going to want to read these reasons for buying the stock immediately.

Keep it simple

Unlike other financial stocks, goeasy doesn't have an overly complex business model. It simply provides loans to customers, ranging from $500 to $35,000 via more than 200 locations across Canada. Three-fourths of applicants are approved for a loan, with nearly 90% of decisions made in 30 minutes or less.

Lending is a fairly commoditized service. What sets goeasy apart is its focus on customer service. That's not a value-add that many lenders have focused on.

For example, 96% of goeasy customers report being satisfied with their experience. This drives customer loyalty and referrals for years to come. It's proved a winning strategy versus competitors who try to ring every penny from each customer for short-term profit.

It's a dividend machine

The company's insistence on customer service has fueled impressive top-line growth. Since 2001, sales have grown by nearly 13% per year. Revenues have never fallen year over year, which is one of the longest revenue growth streaks in North America.

Revenue growth has translated into gobs of operating income. From $368 million in revenues last year, goeasy generated $142 million in operating profit.

With a strong focus on cost reductions, the company is turning these accounting profits into a growing cash flow stream, enabling it to become an early-stage dividend dynasty.

In 2004, the quarterly dividend was just $0.04 per share. Over the next 15 years, goeasy increased this payout several times over. This year, it hit $0.31 per quarter. Note that the company has never reduced the payout.

Currently, goeasy shares yield 2.5%, an impressive number given that shares have tripled over the past three years. With years of growth left, expect the payout to continue rising.

This is just the start

The company has hundreds of locations throughout Canada, with a heavy presence in British Columbia and Ontario. With a strong reputation, it's only a matter of time until goeasy heads south.

Today, the U.S. small lending market is dominated by companies like **EZCORP Inc** and **FirstCash Inc**. Many of the competitors struggle with public perception and customer trust stemming from potentially problematic business practices.

For example, in 2015, the Consumer Financial Protection Bureau fined EZCORP $10 million for illegal debt collection practices. Now, goeasy has the opportunity to capitalize on the perception issues that plague the U.S. lending industry.

The Center for Financial Services Innovation estimates that the U.S. market size is worth at least $140 billion. Given that goeasy's loan book is smaller than $900 million, moving south could quadruple the size of the company with ease.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Investing

Date
2025/08/18
Date Created
2019/06/09
Author
rvanzo