



## 1 Growth Stock to Own in Your TFSA Through Good and Bad Times

### Description

When you are looking for a growth stock to invest in, one factor about the company you may want to consider is how well it will perform during slower economic times.

This is important because markets are forward looking, so when economic indicators turn lower, markets can react quickly and erase price gains on your stock before the company actually experiences a meaningful slowdown.

To protect your portfolio from such occurrences while still putting your money to work, you should consider investing in recession-resistant growth companies such as **goeasy** ([TSX:GSY](#)).

goeasy offers lending and leasing services in the financial services market. The company is geographically diversified across Canada with over 400 branches and stores. The diversification minimizes vulnerability to a particular regional economy.

goeasy operates its business through two divisions: easyfinancial and easyhome. The easyfinancial division, with \$368 million in annual revenue, offers installment loans to customers who don't have access to bank financing, while the easyhome division, with \$138 million in annual revenue, provides name-brand furniture, appliances, and electronics through leasing agreements.

### High-margin business

The company operates a very high-margin business. goeasy's operating margin was 23% over the last year. The company is able to achieve such high operating margins because of the extremely high interest rates it charges its customers. easyfinancial's interest rates start at 19.99%, while easyhome's products have a fixed annual interest rate of 29.99%.

### Spectacular operating performance

The company's operating performance has been consistently impressive. Since 2001, goeasy's

revenue grew at a CAGR of 12.7%, while net income grew at CAGR of 29% and EPS grew at a 22% CAGR. However, most impressive of all is that the company's stock price returned 5,412% over the same period.

## Recession-resistant business

The company's business is relatively [recession resistant](#). This is because when the economy slows and people lose their jobs, a whole new category of people are in need of goeasy's services.

While it's true that the company experiences a higher delinquency rate from its current customers in slower economic times, the losses are, for the most part, offset by the increase in new customers who require the company's services.

## Growth and income

The company's stock price is trading at around \$55.50, just slightly below its all-time high of \$56.30. The stock price has soared 38% over the last year, and, as I previously stated, has gained 5,412% since 2001. Moreover, despite the stock's impressive gains, its P/E ratio is only about 11 — significantly lower than the overall market.

goeasy began paying a quarterly dividend in 2004. The company is currently paying a quarterly dividend at the rate of \$0.31 per share for a forward annual dividend yield of 2.6%. This is a very respectable dividend yield for a [growth](#) company.

## Legislation risk

The company is governed by both federal and provincial law. There hasn't been new federal legislation affecting interest rates since 1980. The risk the company faces is that new legislation could limit the interest rates on loans and leases the company currently charges. If this were to happen, it would undoubtedly lower the company's operating margin.

At the same, new legislation could also remove a hanging cloud of uncertainty hanging over the company. This would make investors more comfortable with the stock and perhaps expand its P/E ratio.

## Final thoughts

The company's operating performance and stock have both performed exceedingly well, as evidenced by the numbers. Moreover, goeasy's high-margin business and recession-resistant features make it a solid long-term investment.

Still, I would wait for a price pullback to buy the stock given that it's trading near its 52-week high, driven by overall market strength rather than company news.

### CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)

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