This Financial Stock Is a Must-Own

Description

Say what you will about Canada's financial system, the TSX Financial Index continues to deliver. From Canada's big banks to alternative lenders, they continue to defy bearish expectations.

Whereas Canada's Big Five will get their chance to shine in late August, the past couple of weeks has been all about strong performances by Canada's alternative lenders.

Last week, **Equitable Group** posted strong results and has become one of the most underrated dividend-growth stocks. Since reporting earnings last Tuesday, Equitable Group's stock has shot up by approximately 20%. Considering the volatile nature of the markets recently, this is an impressive return.

This week, another alternative lender, **goeasy** (TSX:GSY), took the spotlight. The company posted record quarterly earnings that topped analysts' estimates. Earnings of $1.26 per share beat by $0.03 and revenue of $148 million represented 20% growth over the second quarter of 2018. The company closed up almost 9% yesterday, the first day post earnings.

Exceptional performance

Long-time investors are getting used to this type of performance. Since the company started issuing guidance in 2011, it has never missed its targets. That is an impressive streak — almost as impressive as 37 consecutive quarters of same-store sales growth and 72 consecutive quarters of positive net income.

Simply put, management does nothing but deliver. It exited the second quarter with net external debt-to-equity of 67%, below its 70% target, and posted a record return on equity (ROE) of 25.02% in the quarter. It is well on its way to achieving ROE targets of +26% in 2020 and 2021.

After years of being undervalued, the market is finally starting to take notice of the company. Over the past two years, its share price is up 131%, which makes it one of the fastest-growing financial stocks on the TSX. Speaking of which, analyst expect +30% earnings growth through the end of next year.

A dividend star in the making

If hyper-growth weren't enough, it is emerging as one the most attractive dividend-growth stocks in the country. Canadian financial stocks are well known for their reliable and growing dividends. As goeasy has only recently begun raising dividends, it could be a part of the reason why it hasn't received much attention.

That is about to change. The company has quietly put together a five-year dividend-growth streak. Although the company will not technically achieve Dividend Aristocrat status until 2020, its 37% raise back in March sealed the deal.

goeasy currently yields 2.2%, and it has one of the highest dividend-growth rates on the TSX. Since its growth streak began in 2015, it hasn't raised by less than 25% on an annual basis.

The company is setting records almost every quarter and has ample liquidity to achieve expected growth targets. As one of Canada's Top 50 FinTech companies and one of North America's Top 50 Most Engaged Workplaces, goeasy is quickly becoming a must-own financial stock.

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