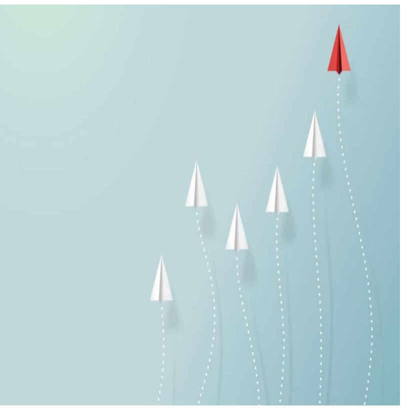

This Tiny TSX Stock Is Producing Jaw-Dropping Returns

Description

goeasy Ltd (TSX:GSY) isn't a well-known stock. In 2012, its market cap was under $100 million. That's *tiny*. Since then, the company's growth has gone gangbusters.

In just seven years, the stock has shot higher by 1,000%! Over the past five years alone, sales have more than quadrupled.

When it comes to rapid growth, goeasy has found the sweet spot, yet its $800 million market cap is still quite small. With its diminutive size, goeasy could replicate its jaw-dropping returns yet again.

Under many scenarios, it should become a multi-billion dollar company. If you want to load up on high-growth stocks, this looks like your chance.

Master the game

When companies crack the code to their industry, it's best to pay attention. Today, goeasy is one of the leading Canadian small loan lenders.

It originates loans between $500 and $35,000. Borrowers can apply online or in person at more than 200 branches. Throughout its history, goeasy has originated $3.3 billion in loans for more than 1 million customers.

Loan origination isn't usually a differentiated game. Companies typically compete purely on price. Think of your priorities as a borrower: why would you borrow at 4.5% when you could borrow at 4.4%?

Yet despite fierce competition, goeasy has carved out a niche in an industry that typically doesn't prioritize customer satisfaction.

goeasy boasts a 96% customer satisfaction, and even the employees love the company, as evidenced by its 4.4 stars rating on Glassdoor. Last year, it won several awards for workplace culture and engaged employees.

goeasy has figured out how to do something few competitors have been able to do: make customers happy. This leads to a loyal borrower base and high levels of customer referrals. Since 2001, EPS has compounded by a whopping 22.7% per year.

Total shareholder return over that period is more than 6,000%. Lately, earning growth has *accelerated*. Over the last five years, EPS has grown by 26.7% annually. goeasy has mastered its industry, and now, it’s prepared to scale.

Scale internationally

To be clear, goeasy still has plenty of growth opportunity left in Canada. Over the next three years, management wants to grow sales by 50% while reducing charge-offs, improving operating margins and pushing return on equity from 24% to 26%. This should be achievable barring an economic downturn.

Looking further ahead, even as goeasy fully penetrates its domestic market, there should be ample opportunity to grow abroad. The U.S. is the most obvious opportunity.

Currently, the U.S. industry is dominated by the likes of **EZCORP Inc** and **FirstCash Inc**. Both companies have faced reputation struggles in recent years, and it’s clear that the U.S. industry hasn’t prioritized borrower satisfaction. goeasy faces the same opportunity down south as it did in Canada.

Despite its savvy management team and proven growth trajectory, however, goeasy still trades at a discount. FirstCash, for example, trades at 2.1 times 2019 sales. goeasy trades at just 1.1 times 2019 sales.

This discount makes no sense when looking at the strength of each company’s borrower base and profitability. Compared to FirstCash, goeasy has higher profit margins, returns on equity, and net income per employees. In some cases, the comparison isn’t even close.

When goeasy moves south, expect its valuation multiple to trend higher. Combined with improving fundamentals, that should fuel the stock higher for years to come. Another 1,000% run could be ahead of us.

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Date
2025/08/18
Date Created
2019/10/11
Author
rvanzo