TFSA Investors: Can goeasy (TSX:GSY) Stock Double Your Money Again in 2020?

Description

Every month, Fool contributors are invited to put forward a top pick for the corresponding month. At this time last year, my top pick for the month of January was **goeasy** (TSX:GSY).

My investment thesis was simple – the stock was trading at unreasonably low valuations given the selloff that occurred in the fall of 2018.

It turned out that it was great pick! It's no secret that goeasy has been one of my favourite financial stocks. I have brought it to investors several times, but in 2019 it exceeded even my own lofty expectations.

As of writing, this little-know star has gained 96% year to date. Taking this into account, a $10,000 investment in the company would be worth $19, 600 today. In effect, investors would have almost doubled their money in one short year.

The best part about goeasy is that it remains attractively valued despite hefty gains. The company is trading at only 13.52 times forward earnings with a P/E to growth (PEG) ratio of 0.50.

The PEG ratio is one of my favourite valuation metrics, and was made famous be renowned value investor Peter Lynch. A PEG below 1 is an indication that the company's stock price is not keeping up with expected growth rates. As such, it is considered undervalued.

This is why goeasy remains an attractive investment option for investors. The company is expected to growth earnings at a 30% clip over the next couple of years.

There aren't many financial stocks that can lay claim to this type of growth. Is this growth achievable? Given that the company hasn't missed company guidance since 2011 and it has missed earnings estimates only once in the past few years, it certainly appears to be a safe bet.

Analysts are unanimous in their coverage on the stock – goeasy remains a "buy."

A top dividend stock

Leaving aside growth and valuation for a moment, goeasy has quietly become one of the best income stocks on the **TSX Index**. This year, it has officially achieved Dividend Aristocrat status. In March of 2019, it raised dividends by 37% marking the fifth consecutive year of dividend growth.

Given this, goeasy will benefit from additional exposure and liquidity. Funds that track the Aristocrat Index add the company to their portfolios and it gains instant credibility in the eyes of dividend growth investors.

Not only will it prove to be a reliable dividend growth company, but goeasy is doing so at a rate that far eclipses the average.

Over the past few years, Canadian Dividend Aristocrats have averaged approximately 8.50% annual dividend growth. For its part, goeasy has averaged 21% annual dividend growth over the past five years. This is good enough to be ranked among the Top 10 in terms of average dividend growth.

The best part? Considering its expected growth rate and low payout ratio (26%), goeasy is well positioned to maintain over 20% dividend growth.

In fact, 20% may be on the low side considering the dividend growth rate has been on the rise with a 31% three-year average, and as mentioned, its 37% raise last year.

A top pick for 2020?

At this point, there is no reason why goeasy can't be a top pick in 2020. It's trading at decent valuations, has one of the highest expected growth rates in the industry and has plenty of room to raise dividends inline with earnings growth.

Simply put, goeasy is a triple threat and as it qualifies as a growth, income and value stock.

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1. TSX:GSY (goeasy Ltd.)

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