
# Revealed: Canada’s Best Dividend-Growth Opportunity for the Next Decade

## Description

When looking for a potential long-term investment opportunity, what exactly should investors be looking for?

Here’s what I look for: I want a company with growth potential because, as the old expression goes, if you’re not growing, you’re dying. I also want a firm that’s run by smart people who own a significant portion of the stock. Ideally, the company should pay a dividend as well, since I strongly feel that sharing profits with shareholders creates discipline. And since I expect the bottom line to grow consistently, I also want a steadily expanding dividend — cash that I can reinvest into additional shares.



Today, I’d like to highlight a company that checks off all those boxes, plus one important addition. It’s also dirt cheap, trading at a lower valuation than many value stocks.

Let’s take a closer look at the stock I think might be Canada’s best dividend-growth opportunity for the next decade.

## Enter goeasy

Ever since **goeasy** (TSX:GSY) pivoted from selling furniture to folks with shaky credit, it has been an unstoppable force.

Its trademark product, which is an unsecured loan for up to $10,000 with an interest rate of above 45%, was first introduced in 2011. It further accelerated growth by buying the assets of a bankrupt payday loan company, which instantly gave it nationwide exposure.

At first, this unsecured loan competed with payday loans, but it quickly became the product of choice for most subprime borrowers. This growth has been further helped by many provinces passing legislation that limited some of the more profitable parts of the traditional payday loan. Besides, as bad as it might sound to you or me, a loan at 45% over a year sure beats one for 20% over just a couple of weeks.

Although the unsecured loan still makes up most of goeasy's revenue, it has expanded into some interesting areas. It now offers loans secured by real estate that come with much better interest rates. It also offers a secured credit product for folks looking to rebuild credit. And it sells ancillary products to these customers in the form of loan protection plans and credit-monitoring services.

Together, these products have propelled goeasy to the stratosphere. Since 2001, the company has grown revenue by 12.7% annually, increasing the bottom line from $0.11 per share to $3.56 per share in 2018. 2019's earnings should be $5.32 per share, and analysts are confident the growth will continue in 2020, with the bottom line expected to jump to $7.18 per share this year.

Despite this growth and ample opportunities to dilute their ownership, management has maintained a big ownership position in the stock. Insiders currently own close to 30% of shares.

In fact, I can see an easy path that will allow goeasy to grow its bottom line significantly for at least the next decade. It has barely cracked Quebec, Canada's second-largest province. Its secured loan business is still tiny. And goeasy controls less than 5% of the Canada's non-prime credit market — a segment that is worth some $30 billion.

Despite this growth potential, the company's shares trade at bargain-basement prices. The stock is currently trading for approximately $73 per share. That puts the stock at 10 times 2020's expected earnings. It's extremely rare to find a stock with such growth potential trading at that kind of valuation.



## Dividend-growth potential

These days, goeasy offers investors a quarterly dividend of $0.31 per share. That works out to a 1.7% yield.

Naturally, the company has hiked its payout significantly as it has grown. The dividend has been hiked each year since 2014.

I see massive dividend-growth potential going forward, too. The current dividend-payout ratio is just 23% of 2019's expected earnings. With potential to grow the bottom line by 10-20% annually for years to come, it's easy to see how dividends could increase at a similar rate.

If the dividend increases by 15% annually over the next decade, the payout will be more than $5 per share by 2030. That translates into a yield on cost of nearly 7%.

## The bottom line

goeasy represents a massive potential growth opportunity going forward, yet it trades at a dirt-cheap valuation. This gives investors two potential sources of upside, as both earnings growth and multiple expansion work together to push shares higher. And, perhaps most importantly, dividend-growth potential looks absolutely massive.

**CATEGORY**

1. Dividend Stocks

2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:GSY (goeasy Ltd.)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Tags**

1. Editor's Choice



**Date**
2025/09/08
**Date Created**
2020/01/10
**Author**
nelsonpsmith