TFSA Investors: A Top Canadian Growth and Dividend Stock

Description

Outside of a short blip, the **S&P/TSX Index** is hitting new highs almost daily. In this bullish market, it can be difficult for value investors. However, regardless of market conditions there is value to be found. Investors just need to know where to look.

One company that should generate plenty of interest is **goeasy** (TSX:GSY). This small cap alternative lender has retreated from its highs and investors should take note, as it may not be cheap for long.

Last year, goeasy was one of the best-performing stocks on the **TSX Index**. Returning 94.4%, shareholders were close to doubling their money in 12 short months.

Last year's run-up was not surprising. Goeasy had been chronically undervalued and it flew under the radar — until it didn't. Once the market took notice of the attractive risk-to-reward proposition, the share price skyrocketed.

In 2020, goeasy's share price has been consolidating and it has lost 1.85% of its value. In comparison, the **S&P/TSX Composite Index** is up by 4.26% thus far. This period of consolidation is a great opportunity for investors.

A top value and growth stock

As of writing, goeasy is trading at only 9.43 times forward earnings. Although slightly above its own historical averages (9.3), this is still well below the industry average of 10.8 times forward earnings.

Once again, the market is discounting the company's growth potential. Over the next couple of years, goeasy is expected to grow earnings by approximately 30% on an average annual basis.

As a result, it has a P/E to growth (PEG) of 0.50 which is well below the industry average of 1.6.

The PEG ratio was one of the preferred methods of determining fair price by famed value investor Peter Lynch. A PEG ratio of below one is an indication that the company's stock price is not keeping up with expected growth rates. As such, it is considered undervalued.

A top dividend stock

This alternative lender has also been quietly establishing itself as a reliable income investment. In 2020, it has achieved Dividend Aristocrat Status, as it has grown the dividend for five consecutive years.

Over this streak, goeasy has also posted some of the highest dividend growth rates on the TSX Index, with three- and five-year dividend growth rates of 35% and 29% respectively.

Last year, the company raised dividends by 38%! The company's five-year dividend growth rate is the second-highest among all Canadian Dividend Aristocrats.

In early February, the company was added to the prestigious **S&P/TSX Canadian Dividend Aristocrat Index.** Funds that track the index will thus be adding goeasy to their portfolios, improving the company's liquidity and increasing its exposure among income investors.

Foolish takeaway

As an investor, one of the hardest things to do is invest in companies that have already seen a significant increase in share price. It's a mental block that's difficult to overcome. No one likes buying at 52-week highs.

However, if you look at some of the most successful companies, averaging up or buying at or near 52-week highs has proven to be a winning proposition.

The key is to invest in high-quality companies who have a clear path to growth and provide decent value. Goeasy checks all these boxes, and adds another: a growing dividend.

The company has yet to disappoint and has met or exceeded guidance since 2011. So long as it continues to do so, the recent period of consolidation will prove to be an excellent buying opportunity for TFSA investors.

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mlitalien