Forget Bank of Nova Scotia: This Stock Can Make You Rich

Description

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a popular stock. That should be no surprise considering it's one of the largest companies in Canada. Its name-brand recognition leads the market. But now valued at $60 billion, ScotiaBank's biggest days of growth are likely over.

To be fair, BNS stock may still be a wise long-term investment, but it's unlikely to double or triple in value over the next decade.

If you want *rapid* growth, you'll need to look at small-cap stocks. After all, it's much easier to double in size as a $600 million company than as a $60 billion behemoth.

Want a stock that can make you rich? Check out **goeasy** (TSX:GSY). If you don't recognize this company, don't worry: the market's ignorance is exactly what makes this such a compelling investment.

The difference is clear

You likely haven't heard of goeasy, because the company specifically focuses on a smaller segment of the market: non-prime loans under $35,000. This lower-quality, lower-denomination loan market is almost completely ignored by giants like Bank of Nova Scotia.

Here's how the numbers break down. There are 29.2 million Canadians with credit reports. Roughly one-third of this population have non-prime credit ratings. That's a credit score of under 720. In total, the non-prime consumer credit market in Canada is worth $230 billion.

But goeasy goes even more niche than this. That's because major banks like Bank of Nova Scotia still dominate two-thirds of this market. Whenever a big loan is needed, big banks are there to issue the loan, even for non-prime borrowers. For goeasy to reduce competition and boost profits, it needed to go even deeper.

Roughly 14% of this $230 billion market is for loans under $35,000. These are deals so small that big banks almost never consider them, nevertheless invest in marketing and customer satisfaction. This is where goeasy thrives. It controls roughly 4% of this relatively puny $30 billion market.

The numbers should be clear. For Bank of Nova Scotia to double in size, it would need to find $60 billion in additional opportunities. For goeasy to double in value, it only needs to increase its market share to 8%.

It's no wonder that since 2015, goeasy stock has risen by 140%, while BNS stock has *decreased* by nearly 20%.

Forget Bank of Nova Scotia

Want rapid growth? You'll need to ditch big bank stocks and get familiar with smaller players like goeasy.

In the years to come, goeasy should find plenty of opportunity to expand. Its market segment was already niche, and the coronavirus pandemic will likely force out some of its smaller competitors. The path to doubling in size has never been easier.

Non-prime consumers are in a cash crunch, meaning goeasy could see a surge of demand for its services. This year, analysts expect the company to generate $650 million in revenue. That prices the stock at only one times sales. In 2021, revenue is expected to increase by more than 10%.

Of course, goeasy's short-term prospects could take a hit, as its borrower delinquency rate ticks up, but this company is in it for the long haul. More than 90% of its borrowers come away satisfied. This focus on customer satisfaction has created a long-term stream of repeat borrowers and referrals.

Unlike Bank of Nova Scotia, goeasy is in a position to take market share in 2020. Once conditions normalize, expect higher profits to follow suit.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Date
2025/07/02
Date Created
2020/05/17
Author
rvanzo