TFSA Investors: 1 Top TSX Stock to Buy With $6,000

Description

There are only a few **TSX** stocks that will recover faster from the crisis. Despite the recent rally, some of these are still trading well below their fair values. So, investors can consider these stocks that are fundamentally solid and offer strong upside potential.

Top TSX stock for your TFSA

I think **goeasy** (TSX:GSY) is one TSX stock that will weather the crisis and outperform broader markets over the long term. Despite being in the relatively risky industry, goeasy has managed a substantial growth in the last several years and has created massive wealth for its shareholders.

goeasy operates through two business verticals: easyfinancial, which offers loans to non-prime borrowers, and easyhome, which offers furniture on a rent-to-own basis.

In the last 20 years, goeasy has been able to grow its revenues by 13% compounded annually. Notably, the top-line growth was even more effectively translated to its bottom line, with its net income growing by 23% compounded annually.

While the pandemic impacted business activities significantly so far in 2020, goeasy managed a handsome 20% revenue as well as earnings growth in the last quarter compared to the same period last year.

goeasy: Attractive growth prospects

As the unemployment rate has increased in the last few months, goeasy might see a notable surge in demand for loans. However, that might also lead to more defaults and an ultimate dent on its financials.

According to the company's presentation, the size of the non-prime consumer credit market in Canada stands at around $186 billion. goeasy generates almost $600 million in annual revenues, underlining its huge growth potential for the long term.

A small personal loan company, goeasy is expanding its geographical footprint in Quebec. Its revenue growth could speed up further with its recent entry into secured auto loans.

Dividends and valuation

goeasy yields 3.2% at the moment. Interestingly, the company increased shareholders' payouts by an enormous 30% compounded annually in the last five years.

Investors can expect steadily growing dividends from goeasy for the foreseeable future, driven by its strong earnings growth potential.

The COVID-19 crash badly hammered goeasy stock in March and cratered 75% in just a month. However, it has seen a decent recovery since then. It is currently trading at a forward price-to-earnings multiple of 11 and a price-to-sales multiple of 1.2. The TSX stock looks trading at a discounted valuation and might continue to climb higher.

Given the handsome total return potential, the Tax-Free Savings Account (TFSA) will be more appropriate to hold stocks like goeasy. Stock appreciation or dividends generated within the TFSA are tax-free throughout the holding period and even at the time of withdrawal. Investors should consider putting money in more than one stock in order to diversify.

Investors should note that the TFSA contribution limit for 2020 is $6,000. If one has never invested in the TFSA, they can invest $69,500 this year.

Notably, $69,500 invested in goeasy stock 10 years ago would have generated almost $650,000 today, including dividends.

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