Better Than Royal Bank of Canada (TSX:RY): This Canadian Lender Surged 214%

Description

With the sharp recovery in the stock market, shares of top Canadian banks also regained most of the lost ground. For instance, shares of **Royal Bank of Canada** (TSX:RY)(NYSE:RY) jumped about 41% after hitting the low of $72 in March 2020.

The Canadian government's several economic response plans to support the individuals and businesses facing hardship due to the pandemic provided a solid base for the swift recovery in the stock market, including the bank stocks. Also, the sustained growth in loans and deposit volumes in personal and commercial banking further fuelled recovery despite a lower interest rate environment.

Investors should note that the Royal Bank of Canada reported volumes growth of 5% in loans and 18% in deposits in the personal and commercial banking segment during the most recent quarter. Meanwhile, provisions for credit losses also improved sequentially.

Royal Bank of Canada's resiliency and recent financial performance reflects the strength of its business. Besides, the bank's performance is likely to improve further as the economic activities increase and provisions decline sequentially. But there's one **TSX** financial stock that has performed far better in 2020 and outgrown the top lenders in Canada by a wide margin.

goeasy

goeasy (TSX:GSY) stock was badly battered amid the coronavirus-led stock market crash. Fear of economic slowdown and higher defaults weighed on goeasy stock. However, shares of goeasy have surged nearly 214% since touching their low of $21.08 on March 19.

Goeasy provides leasing and lending services to the subprime borrowers through two of its business segments – easyhome and easyfinancial. The company has performed exceptionally well over the past several years and has proven its worth even amid a tough operating environment.

Investors should note that goeasy's revenues and earnings have increased for 18 years straight. Its revenues have increased at a compound annual growth rate (CAGR) of 13.1% during that period. Meanwhile, its adjusted net earnings have grown at a CAGR of 30.1% from 2001 to 2019.

Despite challenges, goeasy's total revenues increased by 2% in the most recent quarter, reflecting a 22% jump in the interest income. Meanwhile, net income soared 48.6% on reduced expenses and lower credit losses.

goeasy continues to experience solid credit and payment performance. Moreover, credit losses improved due to the loan protection insurance program and increased government subsidies. Its net charge-off rate was a record low 10% in the most recent quarter, while the company kept allowance for future credit losses roughly flat. These are incredible numbers and reflect the strength of its underlying business.

goeasy's strong financial performance has enabled it to boost investors' returns by increasing its dividends for six consecutive years. Currently, goeasy stock offers a decent forward yield of 2.7%.

Bottom line

While loan origination may stay a bit low in the short-term, the company could continue to benefit from the large and underserved market. Besides, geographical and omnichannel expansion could further accelerate its growth. Moreover, as most of its easyfinancial do not have mortgage debt, the debt to income ratio of its customers is much lower than the average Canadian consumer, which is encouraging.

Long-term investors could benefit significantly from solid dividend income and capital appreciation.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:GSY (goeasy Ltd.)
3. TSX:RY (Royal Bank of Canada)

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