Sell Royal Bank of Canada (TSX:RY) Now: Buy This Stock Instead

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of the most popular **TSX** stocks — and it's not hard to see why. Shares have outperformed the market for decades, all while delivering a dividend yield above 4%.

But RBC isn't your best bet for the future. With a market cap of $140 billion, growth will is already slowing. It's hard for a behemoth like this to tap into smaller, more exciting segments of the market.

Consider the non-prime loan market. This segment represents a minuscule slice of the overall debt market, but it's growing like a weed. Small loans, those under $35,000, are also growing in popularity, but the limited dollar size of these loans prevents large banks like RBC from participating in any meaningful way.

There's one growth stock that's targeting *both* of these opportunities. While the company's revenues are exploding higher, there's still a chance for you to jump in.

This is your chance

In early May, I suggested taking a close look at **goeasy** (TSX:GSY).

"goeasy is essentially a small-denomination lender specializing in loans ranging between $500 and $35,000," I explained. "With more than 100 locations throughout Canada, plus an online portal, any Canadian can get approved for a small loan within minutes."

When you compare goeasy's strategy with bigger banks like RBC, the advantages are clear. Royal Bank of Canada can only compete in the largest markets. That brings heavy competition. goeasy, meanwhile, has its market largely to itself.

"For years, this segment of the market was ignored by traditional banks," I continued. "Existing competitors were known for their terrible customer service. goeasy turned the model upside-down, focusing on meeting their borrowers' needs and driving repeat sales and referrals. More than 95% of customers come away satisfied."

When I suggested taking a closer look, goeasy stock traded at $40. Four months later, shares are above $60. But fear not, there's still time to benefit.

Ditch the big banks

Last quarter, RBC's revenue *fell* by 1.3%. Revenue over the next 12 months is expected to rise by just 3.1%. That's half its historical average. There are macroeconomic factors involved, but there's no doubt that RBC is getting too big to consistently post high growth rates.

Now let's look at a smaller bank stock like GSY. Last quarter, sales grew by 15.7% — *above* its five-year trailing average. With a market cap of only $960 million, goeasy is still chugging along at full steam . Sales are expected to rise by another 13% over the next 12 months.

To be sure, you'll need to pay more for this growth. GSY stock trades at 2.7 times book value, while RBC shares trade at just 1.8 times book value. But paying a 50% premium is a reasonable price tag for a company that's growing sales by *five times* the rate.

Over the next decade, goeasy has a growth runway that should total at least $3 billion. That means the stock could triple in value. Good luck getting that kind of growth with bigger banks like RBC.

If you want to maximize your upside, ditch the big banks for smaller players like goeasy.

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