



## This Canadian Mid-Cap Stock Could Be an Excellent Buy Right Now

### Description

**goeasy** ([TSX:GSY](#)) provides leasing and lending services to non-prime customers through its easyhome and easyfinancial divisions. Supported by its solid fundamentals, the company has delivered impressive returns of 46,329% over the last 20 years at a CAGR of 35.9%. Meanwhile, since the beginning of 2001, the company's top line and adjusted EPS has grown at a CAGR of 12.8% and 24.9%, respectively, boosting the company's stock price. However, I still believe goeasy provides an excellent buying opportunity. So, let's look at the reasons for my bullish views.

### Continued strong performance

Despite the pandemic, goeasy has continued to deliver substantial numbers. In its recently completed [first quarter](#), the company generated \$272 million of total loan originations to increase its loan portfolio to \$1.28 billion, representing a 10% growth from the previous year. In addition, the expanded loan portfolio drove its revenue by 2% to \$170 million. During the quarter, the company witnessed a strong credit and payment performance.

Further, the company lowered its provisions for credit losses due to the improvement in its underlying credit performance and the general macroeconomic environment. The company's operating income increased by 45% to 44.2 million due to improved operating leverage and lower credit losses. Also, its adjusted EPS came in at \$2.34, representing an impressive 66% increase from \$1.41 in the previous year's quarter.

### goeasy's outlook looks healthy

Despite delivering a solid performance over the last two decades, goeasy has acquired just 3% of its addressable market (loans of under \$50,000 to sub-prime customers). So, the company has a considerable scope to expand. The gradual reopening of the economy could boost economic activities, driving credit growth. Meanwhile, the company is expanding its product range, developing new distribution channels, penetrating new markets, and improving its customer experience to increase its market share.

The company completed the acquisition of LendCare Holdings in April. The acquisition has added new industry verticals, such as powersports, healthcare, home improvement, and expanded its point of sales. Further, the company's overall risk profile has improved due to diversification, higher-quality near-prime borrowers, and secured loans. Also, the acquisition could be immediately accretive, boosting its adjusted EPS by 10% in 2022 and 15% in 2023. So, the company's overall outlook looks healthy.

## Dividends and valuation

goeasy has been rewarding its shareholders by paying dividends for 17 consecutive years while raising the same for seven previous years. Since 2014, the company has increased its dividend at a CAGR of 34%. Currently, the company pays a quarterly dividend of \$0.66 per share, with its forward yield standing at 1.67%. Although the company's dividend yield is on the lower side, it could improve going forward as it raises its dividend at an impressive rate.

Despite an increase of 63.3% in its stock price this year, goeasy still trades at an attractive valuation. Its forward price-to-sales and forward price-to-earnings ratios stand at three and 15.3, respectively.

## Bottom line

Amid growing addressable market, expanding market share, accretive acquisition, and its growth initiatives, I believe [goeasy could easily double your investment over the next three years](#). Meanwhile, analysts are also bullish on the stock, with all the six analysts covering the stock have issued a buy rating. Their price targets range from \$166 to \$200, with an average price target standing at \$175.67, representing an upside potential of 11.3%.

### CATEGORY

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