



This Stock Is up 488% Since Last Year: Can it Keep Going?

Description

2020 was an excellent year for growth stocks. Investors had plenty of multi-baggers in their portfolio. However, growth stocks seem to have fallen out of favour this year, and many of these early stars are now trading below their all-time high.

goeasy ([TSX:GSY](#)), however, is a rare exception. The stock is up 488% from March last year. The stock chart looks like a remarkably straight line up and to the right. This incredible run boils down to two factors: the panic about Canada's financial sector in early 2020 and the rapid recovery since then.

goeasy stock was arguably undervalued in early 2020. Since then, interest rates have collapsed to record lows while borrowing is at an all-time high. Since there's no end in sight to Canada's appetite for borrowed cash, goeasy could have more room to run.

Growth

Despite the fact that Canadian households are overleveraged, goeasy remains well positioned to generate significant value on its business of lending out money. That's because its primary target is subprime borrowers such as younger Canadians and newcomers. As immigration resumes and the job market heats up, goeasy should see further expansion in its loan book.

In fact, the government has eased immigration rules to meet its targets for the next few years, so goeasy should see a spike in potential customers. Additionally, with any government relief checks and programs coming to an end, many people are likely to make a push for goeasy's quick and easy loans.

An environment that forces Canadians to take in more subprime loans should result in booming business for goeasy, consequently allowing it to improve the quality of its loans.

Financials

The company should be able to generate more revenues on the fees charged on the loans. Its operating income jumped 45% in the most recent quarter, as the operating margin expanded to

[37.6% from 26.4%.](#)

Over the past two decades, the company's revenues and profits have grown at a double-digit rate. This explains why the company has been able to [pay dividends](#) for 17 consecutive years. It has also increased dividends at a compound annual growth rate of 34% in the last seven years.

That said, goeasy is a smart bet for anyone looking to profit from share price appreciation. Additionally, the stock is ideal for anyone looking to generate long-term passive income. The stock is currently cheap as it is trading with a price-to-sales multiple of five and a price-to-book multiple of four.

Those valuation metrics are relatively lower than mainstream lenders, which makes goeasy a fair target.

Bottom line

Sub-prime lenders like goeasy were in a precarious position last year, which is why its valuation was pushed extremely low. However, the crisis is now receding while the economy is rebounding. As immigration resumes, goeasy should see expansion in its newcomer loan book. In short, the stock still has room to run.

Considering its valuation and momentum, goeasy certainly deserves a spot on your long-term watch list.

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