Millennials: 5 Key Facts About 1 Top Canadian Growth Stock

Description

Millennials, you want to pay attention when growth stocks report quarterly results and the investing community reacts positively to the news. This time, I'm discussing Canadian growth stock **goeasy** (TSX:GSY). Stocks that consistently beat estimations can grow your retirement fund by a considerable amount in the long haul.

The non-prime financing services company reported its second-quarter results last week with the stock reacting by immediately appreciating 5%. It has demonstrated this is not a one-off event.

In the last 10 years, the growth stock has delivered annualized returns of about 37% — the equivalent of growing a $10,000 investment into more than $240,000 — a 24-bagger! Most of those returns came from price appreciation driven by an expanding business.

The growth stock also established its Canadian Dividend Aristocrat status by having hiked its dividend every year since 2015. The dividend increases were massive — a compound annual growth rate of 37%, including this year's more than 46% dividend increase.

Five key facts about this must-own Canadian growth stock

1. goeasy achieved 45 consecutive quarters of same-store sales growth. That's just over 11 years, validating its ability to navigate through the pandemic and an economic cycle.
2. The top Canadian growth stock also accomplished 20 consecutive years of positive net income. So, goeasy has been profitable for two decades through economic contractions and expansions.
3. This year marks the 17th consecutive year that goeasy has been a dividend payer. The dividend-paying track record suggests it's committed to paying its dividend. During this period, its payout ratio was as high as 51% around the global financial crisis in 2009.
   In the past five years, its payout ratio averaged approximately 24%. Its 2021 payout ratio is estimated to be roughly 24%. Going forward, goeasy's dividend growth should continue to roughly align with its earnings-growth rate, which is anticipated to be +15% over the next few years.
4. The growth stock's return on equity (ROE) has been 10% or higher since 2012. That has

improved to 20% or higher since 2018, helped by the launch of the online option for loan applications and other growth initiatives such as the partnership and investment in PayBright. Notably, goeasy sold its minority interest in PayBright to **Affirm** this year for some nice gains in a cash and stock deal.

5. The next leg of growth is expected to come from the LendCare acquisition. LendCare is a great fit for goeasy as a leading provider of tech-enabled non-prime point-of-sale financing in Canada.

It adds a loan portfolio of more than $400 million in powersports, auto, retail, healthcare, and home improvement. This helped boost goeasy's loan portfolio by 58% year over year. In the Q2 financial results, management gave an update that it's on track to draw earnings accretion of about 10% in 2022 and 15% in 2023 from the acquisition.

goeasy's recent results

goeasy's Q2 results include the LendCare acquisition. The business results of the first half of the year provide a clearer picture. Revenue rose 17% to $373 million, operating income climbed 22% to $120 million, and diluted earnings per share jumped 131% to $8.10. The company noted that "excluding the effects of the adjusting items related to the acquisition of LendCare and unrealized fair value gains on investments," the adjusted earnings per share rose 51% to $4.95. And the adjusted ROE was 27.7%. Both performance metrics were superb.

The Foolish investor takeaway

Millennials can swell their wealth by investing in growth stocks. One top Canadian growth stock that's a must-own is goeasy. It reported positive quarterly results last week. At about $180 per share, it trades at a forward price-to-earnings ratio of about 17.3, which is a reasonable valuation for its growth potential. Investors should consider buying some shares today or loading up on meaningful dips.

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