



## Why goeasy (TSX:GSY) Looks Like an Excellent Buy Right Now

### Description

Supported by its strong fundamentals and expanding addressable market, **goeasy** ([TSX:GSY](#)) had delivered impressive returns of 9,565% over the last two decades at a compound annual growth rate (CAGR) of 25.7%. Notably, the company has continued its uptrend by returning 87.8% this year. Along with its strong performance in the first six months of this year, the improving economic activities amid the easing of restrictions have driven its stock price higher.

So, after such a massive surge, does buying opportunity still exist? Meanwhile, let's first look at the company's performance in its recently reported second quarter.

### goeasy's recent performance

Supported by both organic growth and contribution from its acquisition of LendCare, goeasy generated \$379 million of loan originations in the [second quarter](#), increasing its loan portfolio to \$1.80 billion by the end of the second quarter. The company also witnessed a strong credit and payment performance during the quarter. Besides, the company reduced its allowance for credit losses from 9.88% to 7.9% amid improvement in underlying credit quality and growing economic activities.

Along with top-line growth, the company's adjusted EBITDA margin also improved from 35.8% in the previous year's quarter to 39.5%. So, the top-line growth and expansion in gross margin increased its adjusted operating profits by 48% to \$79.9 million. Besides, the company reported a solid adjusted net income of \$43.7 million, representing a 50% year-over-year growth. Meanwhile, its adjusted EPS came in at \$2.61, representing a 38% increase from \$1.89 in the previous year's quarter.

Further, goeasy also announced to increase its revolving credit facility from \$200 million capacity to \$600 million, thus increasing its total funding capacity to \$870 million. So, the company's financial position looks healthy. Let's look at its growth prospects.

### goeasy's growth prospects

Although goeasy continues to expand its loan portfolio, it has still acquired around 3% of its addressable market. So, the company has considerable scope for expansion. Meanwhile, the easing of restrictions has improved economic activities, driving the demand for the company's services. Meanwhile, goeasy is focusing on expanding its geographical footprint by penetrating new markets, developing new distribution channels, and expanding its product range.

Further, the acquisition of LendCare has widened its near-prime product ranges and added new industry verticals, such as power sports, automotive, retail, healthcare, and home improvement. Also, it has reduced its risk profile through diversification. Meanwhile, goeasy's management has set an optimistic outlook for the next three years, with its loan portfolio expected to reach around \$3 billion by the end of 2023.

Besides, the company's revenue could grow in double digits while delivering an adjusted return of equity of over 22% annually. So, the company's growth prospects look strong.

## Dividend and valuation

Despite the surge in its stock price, goeasy still trades at an attractive valuation, with its forward price-to-earnings multiple standing at 15.6, thanks to its high growth prospects. Besides, goeasy has paid quarterly dividends uninterruptedly for the last 17 years while raising the same for the last seven years at a CAGR of 34%. Currently, the company pays a quarterly dividend of \$0.66 per share, with its forward dividend yield standing at 1.45%. So, [goeasy would be an excellent addition to your portfolio](#).

Meanwhile, analysts are also bullish on goeasy, with all the six analysts covering the stock have issued a "buy" rating. Currently, the company's price target stands at \$212.5, with an upside potential of over 17%.

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