Got $1,000? This Unstoppable TSX Stock Could Make You Richer

Description

Many stocks listed on the **TSX** exceeded investors' expectations and delivered exceptional returns in the past. I admit that identifying these stocks before they start rallying is tough, but investors could take a clue from a company's financial and operating performances and future growth opportunities to go long on a stock.

Take **goeasy** (GSY) for instance. This subprime lender has consistently performed well, delivering profitable growth over the past 19 years in a row. Its revenue has a CAGR (compound annual growth rate) of 12.8% since 2001. Meanwhile, its adjusted earnings have grown at a CAGR of 31% during the same period.

Thanks to its rapid growth, goeasy stock has outperformed the benchmark index by miles. It has risen by more than 3,600% in the past decade. Furthermore, it's up about 218% in one year compared to a 23% growth in the **S&P/TSX 60 Index**.

Also, goeasy has consistently enhanced its shareholders' returns through increased dividend payments. It has paid regular dividends for about 17 years. Meanwhile, it has increased the quarterly dividend by a CAGR of 34% in the last seven years.

While past performance doesn't guarantee future returns, goeasy's fundamentals indicate that the stock has ample catalysts that could continue to push its price higher. Let's take a look at what management is projecting.

Upbeat guidance

With increased economic activities and improving consumer demand, goeasy expects loan originations to increase. Furthermore, the LendCare acquisition will likely support originations. Also, goeasy's point-of-sale and digital platforms will likely drive new customer growth and, in turn, its revenues.

Thanks to the improved operating environment, goeasy expects its gross consumer loans portfolio to increase over the next three years and reach $3 billion by 2023. Meanwhile, its revenues are projected to grow at a double-digit rate during the same period.

With double-digit revenue growth and improved credit performance, goeasy expects its adjusted operating margin to expand by 100 basis points in 2022 and 2023.

Growth catalysts

goeasy's strong fundamentals and momentum in its business indicate that the company could easily achieve the above-mentioned growth targets. Its broadening product base, including direct-to-consumer auto loan and auto-repair financing products, channel and geographic expansion, and LendCare acquisition is expected to drive its volumes and, in turn, its revenues.

Furthermore, structural improvement in credit quality with a growing portion of secured loans, lower credit losses, and operating leverage from the scale will likely drive its profitability at a double-digit rate over the next several years.

Bottom line

goeasy's growth initiatives and strong competitive advantages position it well to capitalize on the large subprime lending market. Its revenues and earnings could continue to increase at a double-digit rate in the coming years and support the uptrend in its stock.

Moreover, its high-quality earnings suggest that goeasy could continue to boost its shareholders' returns through increased dividend payments.

Its stock is trading at a forward P/E (price-to-earnings) multiple of 17.6, which is higher than the historical trading average. However, I believe its strong growth rate justifies its premium valuation. So, if you have $1,000 to invest in stocks, consider buying the shares of goeasy to outperform the broader markets.

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