Feeling Risky? Buy This Stock for Aggressive Growth

Description

Hunting for a good growth stock should mean more than speculating among the micro- and small-caps looking for one to go to the moon. Sometimes, sustainable, steady price appreciation from established mid- and large-cap players with better financials, management, and operations is a better plan. These companies may still have momentum on their side or catalysts not yet priced in by the market, which can deliver further growth in the future.

Why subprime finance is so lucrative

My best example of one of these aforementioned companies is **goeasy** (TSX:GSY), one of Canada's largest alternative financial lenders. It primarily specializes in providing subprime borrowers with access to credit. A subprime borrower is one whose credit score is not good enough for a traditional bank loan. goeasy provides these customers with better interest rates and terms than payday lenders, allowing them to access credit.

The business is highly profitable. goeasy currently boasts an operating margin of 37.20%, profit margin of 45.42%, ROA of 12.71%, and ROE of 40.06%. Earnings wise, it has a trailing 12-month diluted EPS of 14.92, with 92.10% YoY quarterly earnings growth and 25.90% YoY quarterly revenue growth. goeasy also pays a small dividend yield of 1.52% with a payout ratio of 16.34%, which is unusual for a growth stock.

Does it have more room for growth?

goeasy was one of the top-performing stocks on the **Toronto Stock Exchange** (TSX) this year, returning 83.31% YTD and a cumulative 627.18% the past five years. Such a great bull run obviously has investors wondering if the gains will continue, or if it will slow down as the company matures.

In my opinion, goeasy still has room for further growth. In terms of fundamentals, the stock currently trades at a reasonable valuation, with a forward P/E of just 14.68, P/S of 3.74, and P/B of 3.58. Enterprise value/EBITDA is just 9.50, putting goeasy in line and slightly below industry peers.

Technical-wise, goeasy is trading around $172.59, which is 21% under its 52-week high of $218.35. The stock is currently trading below its 50-day moving average of $187.10, which could point to a possible short-term bearish movement. However, it trades above its 200-day moving average of $167.14, leading me to believe that it will stay in a long-term uptrend.

The Foolish takeaway

One of the biggest indicators that screams "buy" to me for this stock is the percentage of outstanding shares held by company insiders. Currently, that sits at 22.76%. Generally, insiders only buy and hold shares when they think the stock price will appreciate. You can bet that they have better information about the company's growth prospects, making this figure a bullish signal.

Overall, I think goeasy has room to grow. The subprime loan industry is extremely lucrative, as there is high demand from a portion of the population excluded by banks. However, the industry is also very sensitive to changing economic conditions. We saw this in 2008 with the bankruptcy of numerous subprime mortgage lenders in the United States. Investors looking to buy goeasy for growth should consider this risk before they take a position.

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