1 Canadian Growth Stock Has Grown Investors' Money 20-Fold!

Description

The sudden surge in liquidity by government programs during the pandemic helped drive and extend the rally in Canadian growth stock, **goeasy** (TSX:GSY). During the onset of the pandemic in 2020, the consumer lender stock lost approximately half of its value on the stock market, dropping to as low as $36 per share. At that price point, it was trading at a dirt-cheap valuation of below six times earnings for a company that normally grows profits at a double-digit rate.

The Canadian growth stock has grown investors' money 20-fold

Thankfully, investors don't need to buy wonderful stocks at basement prices to generate satisfying returns. Besides, goeasy stock's long-term returns were more than satisfying. For example, buyers of the Canadian growth stock 10 years ago at about nine times earnings would have grown their money 20-fold, turning a $10,000 initial investment to approximately $202,867 for astounding annualized returns of roughly 35%!

$200,000 now isn't worth as much as what it was 10 years ago. That is, you can't buy the same amount of goods as a decade ago, but it's still a substantial amount of money for most people. If keeping up with inflation is your bare minimum return target (so that you can maintain your purchasing power), then your money would be in great hands invested in the growth stock.

goeasy stock's growth in the decade was attributable to its earnings-per-share growth rate of approximately 29% and reasonable valuation expansion. The company also made acquisitions along the way to help drive its impressive growth.

Still a good growth stock to park your money going forward

High inflation is increasing the cost of living, as salaries can't keep up. However, if you can park apiece of your savings in the growth stock, you can get an initial dividend yield of about 2.6%, whichroughly aligns with the long-term rate of inflation and long-term price appreciation. Rising inflation willhelp contribute to its growth rate, as people borrow bigger sums of money.

What's important to investors now is what goeasy stock can deliver for buyers of the stock today. If the past is indicative of future, continue to expect outperforming growth in the stock. The company's three-year revenue and operating income are compounded at approximately 18% and 24%, respectively, per year. Its 10-year dividend growth is close to 23% per year!

As its profitability grows larger, it will be more difficult to beat its past results. That said, currently, analysts project an earnings-per-share growth rate of about 18% per year in goeasy over the next five years. This compares favourably with the dividend stock that trades at about 13 times earnings today — a valuation that aligns with its long-term normal price-to-earnings ratio.

The Foolish investor takeaway

goeasy stock is a wonderful long-term investment at today's reasonable valuation. Over the next five years, it could potentially deliver about 18% per year if it continues its double-digit growth rate and it trades around today's valuation.

However, investors should note that even the greatest stocks come with risks. Liquidity tightening and recessions can trigger a substantial selloff in the stock. At times like that, it could be a good idea to opportunistically add to your position. Of course, having a long-term investment horizon is also reassuring.

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