Why goeasy (TSX:GSY) Stock Fell 6.2% Last Week

Description

goeasy (TSX:GSY) is a Mississauga-based company that provides non-prime leasing and lending services to Canadian consumers. Shares of this top TSX stock have plunged 33% in 2022 as of close on April 22. It dropped 6.2% over the past week. Today, I want to discuss why this exciting stock has lost momentum in the first half of 2022. Moreover, I'll make a recommendation on its prospects going forward. Let's dive in.

How goeasy stock rose to new heights to start this decade

The COVID-19 pandemic spooked investors and ignited a massive stock selloff in February and March of 2020. At the time, I'd suggested that goeasy was one of the top TSX stocks to snatch up on the dip. Indeed, its stock would fall below the $30/share mark at one point in the middle of March 2020.

Fortunately, loosening monetary policy and radical government spending managed to renew confidence in global markets. Meanwhile, goeasy remained perfectly positioned to grow in the current environment. Shares of goeasy would hit an all-time high of $218.35 in September 2021. That meant that investors who timed their purchase well could have seen their initial investment grow by more than seven times its original value.

Here's why this top TSX stock has lost momentum in April

goeasy unveiled its fourth-quarter and full-year 2021 earnings on February 16, 2022. It announced that it had funded $1.59 billion in loan originations — up 59% from the $1.03 billion it booked in 2020. Meanwhile, its consumer loan receivable portfolio increased 63% to $2.03 billion. The company achieved record revenues of $827 million, which was up 27% from the prior year.

This company continued to post very impressive results at easyfinancial and easyhome. Overall, this represented the 47th straight month of same-store revenue growth. Moreover, its total active customers rose to over 300,000.

Investors also got a glimpse of its outlooks for 2022 through to 2024. The company expects total company revenue between $970 million and $1 billion this fiscal year. Meanwhile, it projects that it will open 15-20 additional easyfinancial locations.

It is hard to find flaws with goeasy's earnings performance in 2021. Indeed, investors should be very excited about its future. However, it will also be susceptible to volatility and the crunch that will come with interest rate hikes. This may bolster goeasy's profit margins, but it will likely limit credit growth, as Canadians find themselves increasingly squeezed by high debt and soaring inflation.

Should investors look to buy the dip in goeasy today?

Nearly a year ago today, I'd discussed why goeasy was one of my favourite TSX stocks to snatch up for the future. That is still my take today. However, investors need to prepare for its shares to battle turbulence in the near term.

Shares of goeasy currently possess a very favourable price-to-earnings ratio of eight. It last had an RSI of 34, putting it just outside technically oversold territory. Moreover, it offers a quarterly dividend of $0.91 per share, representing a 3% yield. The company has delivered eight consecutive years of dividend growth. That makes goeasy a Dividend Aristocrat.

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