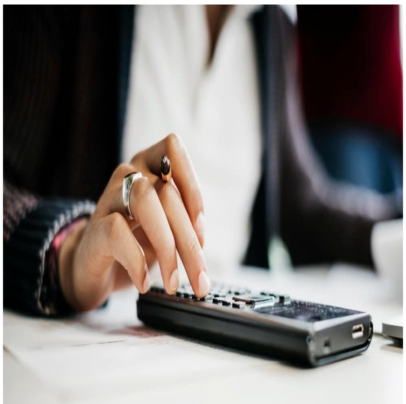

Better Than Banks: Why goeasy Is 1 of the Best Stocks to Buy Now

Description

Bank stocks reported earnings this week, and many investors were watching to see how they are performing, as banks are almost always some of the best stocks to buy and hold for the long run.

This earnings season was particularly interesting because, on the one hand, rising interest rates are typically positive for banks. On the other hand, though, with the economy facing so many headwinds, investors will be looking to see how credit provisions may have impacted earnings.

Canadian banks are renowned around the world for their safety and risk management. That's why they are some of the most popular Canadian stocks and the best to buy for the long haul. Their consistent long-term growth, coupled with their proven resiliency, makes them incredible investments.

However, as attractive as many of the bank stocks are, one financial company that looks to be even more attractive, and of the best stocks you can buy now is **goeasy** (TSX:GSY).

Here's why goeasy is one of the best stocks to buy now

goeasy is a financial stock that's main business is centred on lending to sub-prime borrowers. It's certainly a riskier business model than bank stocks. However, it offers much more growth. And for years, goeasy has proven that it can manage that risk. So, with the stock selling off so significantly in recent months, it's easily one of the best to buy now.

goeasy has a long-term net-charge-off rate target of 8.5-10.5%. And currently, its net charge-offs as of the first quarter sit at just 8.8%. In addition to how low 8.8% is and how well goeasy has managed its risk in the past, there is also substantial room for that to increase before the company even comes close to losing money.

According to the company's models, the charge-off rate could jump nearly 2.5 times to a whopping 20.8% before the company would no longer be profitable. Plus, if that extremely unlikely scenario were to play out, goeasy has the ability to be flexible and reduce its operating expenses further.

So, with the stock trading so cheap and selling off much more than bank stocks due to the uncertainty in markets, it has to be one of the best stocks to buy now.

goeasy just increased its dividend back in the first quarter by 38%, which marked the eighth straight year it's increased its dividend. And that increase was based on confidence that the board has in goeasy continuing to see strong growth.

goeasy's numbers show why it offers better growth potential than bank stocks

The company has always had attractive economics, and now with its rapid growth, it's easily one of the best stocks to buy now. In addition to its traditional lending services, in recent years, goeasy has been looking to expand its business on multiple fronts. While bank stocks may offer some growth, goeasy looks a lot more appealing.

For example, it has the goal to be the leading non-prime, non-bank auto lender in Canada. It's also been growing its home equity loans. In fact, in the first quarter, it originated roughly $50 million in home equity loans — a nearly 100% increase from the same quarter last year.

Not to mention its entire business is growing rapidly, too. Already management expects it will reach the upper end of its 2022 guidance, which is a positive sign. That means the company will likely earn just under $1 billion in revenue this year. In addition, it expects to have an operating margin of at least 35%. Furthermore, it expects its return on equity to be more than 22%.

For comparison, bank stocks typically earn a return on equity between 10% and 15%. Therefore, it certainly looks exceptionally undervalued, especially with goeasy offering a similar dividend yield and trading in line with or cheaper than most bank stocks.

So, if you're looking to find a financial stock to add to your portfolio for long-term growth, goeasy is undoubtedly one of the best stocks to buy now.

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