If I Could Only Buy 1 Stock Before 2023, This Would Be it

Description

Stocks turned unattractive in 2022, as higher cost of capital due to the rising interest rates dragged valuations lower. Moreover, economic uncertainty continued to stall the recovery of stocks. While the decline in stocks eroded investors' wealth, it also provides an opportunity to buy shares of top-class companies at prices much below their highs and benefit from their recovery.

While the slight moderation in inflation has led stocks to bounce back from their lows, there is still time to start a long position in several Canadian stocks that have lost significant value and offer solid upside potential.

Though I am optimistic about many TSX stocks, but if I have to choose one, I'll invest in **goeasy** (TSX:GSY) at current price levels.

goeasy, which provides leasing and lending services to subprime customers, has witnessed a more than 32% decline in its stock price. This decline comes despite the company reporting a solid set of financial numbers. The company is profitable and has a growing earnings base. Moreover, it consistently enhances its shareholders' returns through dividend payments and growth.

Here's what makes goeasy a solid long-term investment

goeasy's revenue and earnings have been growing briskly, supporting its stock price and dividend payments. For instance, goeasy's revenue has had a CAGR (compound annual growth rate) of 15.9% since 2011. In 2022, goeasy produced a top-line growth of 26% in nine months.

Thanks to the higher sales, goeasy's adjusted net income had a CAGR of 33.6% between 2011 and 2021. Furthermore, in 2022, Its adjusted net income increased by 11%. Despite the macro weakness, goeasy continues to grow its loan portfolio. Importantly, its credit performance remains stable, supporting its bottom-line growth.

In the third quarter, its gross consumer loan receivable portfolio increased 37% to $2.59 billion. Meanwhile, the net charge-off rate was 9.3%, which is within the company's target range of 8.5% and

10.5% and lower than the pre-pandemic levels. Further, its allowance for future credit losses declined slightly, reflecting an improved product and credit mix.

Looking ahead, goeasy is poised to benefit from strong demand across its entire range of products. Moreover, strength across all of its acquisition channels augurs well for growth. Also, its stable credit and payment performance will cushion its margins and drive future earnings growth.

The company's management is confident to deliver double-digit annual revenue growth through 2024. Further, its operating margins are expected to expand by 100 basis points annually. Leverage from higher sales will support its profitability and drive dividend payments.

Bottom line

The ongoing momentum in goeasy's business, solid growth outlook, and low valuation make it an attractive long-term investment. It is trading at a price-to-earnings multiple of 8.8, which reflects a discount to its historical average and is lower than the pre-COVID levels. Also, the company is a Dividend Aristocrat, implying investors can rely on its dividend payouts.

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