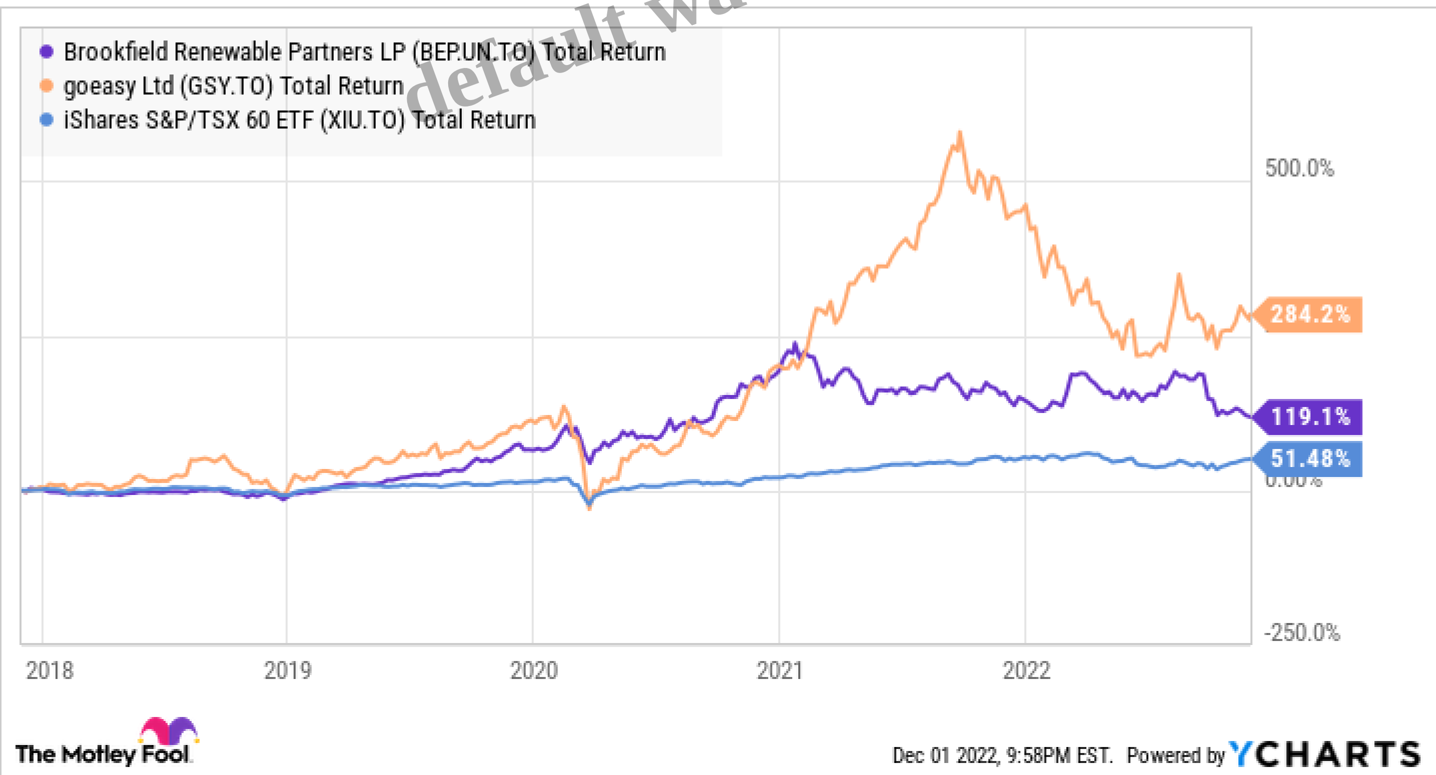
Got $1,000? Buy These Up-and-Coming Stocks Before They Take Off

Description

If you've got an extra $1,000, here are a couple of up-and-coming stocks from different sectors that you should consider buying shares of before they take off. Let's explore the growth potential of these top TSX stocks that have beat long-term market returns. Illustrated below is the five-year total return of the stocks versus the Canadian stock market (using **iShares S&P/TSX 60 Index ETF** as a proxy).



BEP.UN, GSY, and XIU Total Return Level data by YCharts

Invest safely in renewable energy

We're in a multi-decade decarbonization trend, and **Brookfield Renewable Partners** (TSX:BEP.UN) is in the right places. It's a large global renewable energy platform with its tentacles stretched across continents and major technologies. Its total installed capacity is approximately 24,000 megawatts (MW) with about 102,000 MW in its pipeline, of which it expects 11,800 MW to be in service over the next three years.

At the end of the third quarter, it had its technologies diversified across hydro power (52% of cash flow), wind (21%), solar (15%), and distributed energy and sustainable solutions (12%). About 63% of its cash flow is generated in North America, 20% in South America, 15% in Europe, and 2% in Asia.

Importantly, the renewable energy stock is growing with a sustainable dividend. About 94% of its cash flow is under long-term contracts — the average term being 14 years. It has been increasing its cash distribution for over a decade with a 10-year dividend-growth rate of 5.7%.

The 17% stock correction over the last 12 months is a good entry point for investors to start with an initial yield of over 4.4%. Analysts believe the stock is discounted by roughly 27%. BEP is largely financed by fixed-rate debt, so it has virtually been unaffected by rising interest rates.

Buy goeasy stock before it takes off

The leading Canadian non-prime consumer lender, **goeasy** (TSX:GSY), is committed to growing its consumer loan portfolio by about 54% to almost $4 billion by the end of 2025.

In the first nine months of the year, it reported record revenue and operating income, which increased 26% and 27%, respectively, year over year. Its adjusted earnings were up 11% to $7.66 per share. Adjustments were made on the LendCare acquisition, corporate development costs, and fair value mark-to-market impact on investments to show the earnings power of the company.

The company recently established a $200 million revolving securitization facility that's collateralized by automotive consumer loans and successfully completed a bought deal financing, raising gross proceeds of $57.9 million, which increased its liquidity and enhanced its financial position.

goeasy is a younger Canadian Dividend Aristocrat than BEP. However, its 15-year dividend-growth rate of 17.3% is absolutely impressive. The stock's valuation bubbled last year, which is the primary reason for its stock correction of 30% in the last 12 months.

Currently, I believe the stock is reasonably valued for long-term, double-digit growth potential. It also offers a dividend yield of about 3%. Nine analysts have a consensus 12-month price target of $198 on the stock, though, which suggests an attractive discount of 38%.

The Foolish investor takeaway

Both stocks are trading at good valuations and in growing sectors. Additionally, they're expected to pay nice dividends and increase their payouts over time. Between the two, goeasy is a higher-risk stock due to its non-investment-grade S&P credit rating of BB- versus BEP's investment-grade S&P credit rating of BBB+.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:GSY (goeasy Ltd.)

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