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

Description

Last year, the spike in inflation to record highs and the central bank's tight monetary policy to control it led to a correction in Canadian stocks. Though the economic situation hasn't changed much in 2023, the substantial decline in the prices of top TSX stocks provides an opportunity for investors to add a few high-quality stocks to their portfolios. An improvement in the economy could give a significant lift to fundamentally strong stocks.

Investors have plenty of options, given the significant correction in several top TSX stocks. However, if I could invest in only one stock in 2023, I'd invest in **goeasy** (TSX:GSY).

The company offers leasing and lending services to non-prime customers. Impressively, goeasy stock has multiplied investors' wealth and significantly outperformed the benchmark index in the past decade. GSY stock has increased at a CAGR (compound annual growth rate) of about 30% and delivered a stellar gain of approximately 1,252% in 10 years. Furthermore, it has boosted its shareholders' returns through consistent dividend hikes.

Notably, goeasy stock has corrected in the past year on fears of an economic slowdown and the impact on its financials. While investors' fear is warranted, the momentum in goeasy's business has sustained, highlighting the strength of its business model. The pullback in goeasy stock and the continued strength in its financials indicate strong upside for GSY. Let's dig deeper.

Ongoing momentum to fuel recovery in stock

goeasy's revenue and profitability have sported a double-digit growth rate for the past several years. The top line grew at a CAGR of approximately 16% between 2011 and 2021. Meanwhile, its adjusted net income grew at a CAGR of 33.6% during the same period.

Despite concerns over loan originations and credit quality amidst a weak macro environment, the double-digit growth in goeasy's revenue and earnings sustained in 2022. The lender reported revenue of $746 million in the nine months of 2022, translating into a year-over-year increase of 26%. Its solid top-line growth comes from higher loan originations led by high demand.

During the last reported quarter (Q3), goeasy's loan originations jumped 47%. Furthermore, its gross consumer loan receivable portfolio improved by 37%. What stands out is its stable credit quality. Its net charge-off rate came within the target range of 8.5% to 10.5%. Meanwhile, allowance for future credit losses inched down. Higher sales and stable credit quality drove 11% year-over-year growth in its bottom line.

The benefits from omnichannel offerings and a wide product range will support its financials. Overall, the resiliency of its business, continued increase in the loan book, and steady credit performance indicate that goeasy could continue to impress with its performance.

The company's management expects to sustain a double-digit sales growth rate. Meanwhile, operating margins are forecasted to increase by 100 basis points annually in the medium term.

More reasons to invest in goeasy stock

Along with capital appreciation, investors can benefit from goeasy's consistent dividend payouts. Notably, goeasy has been paying dividends for about 18 years and has increased them for eight consecutive years. goeasy stock offers a dividend yield of 3.1% and trades at a price-to-earnings multiple of 8.7, which is below the pre-COVID levels. Overall, goeasy is an attractive high-growth stock offering decent dividend yield and value at current levels.

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