goeasy Stock: How High Could it Go in 2023?

Description

Shares of **goeasy** (TSX:GSY) have staged a healthy recovery in 2023 so far by outperforming the broader market by a wide margin. GSY stock has recovered by more than 20% to trade on a year-to-date basis at $128.58 per share after losing nearly 41% of its value last year. By comparison, the **TSX Composite** benchmark has advanced by about 7% this year.

Before we discuss how high goeasy stock could go in 2023, let's take a closer look at some recent developments that affected its stock price movement in 2022.

Why goeasy stock fell 40.6% in 2022

If you don't know it already, goeasy is a Mississauga-headquartered leasing and lending services provider with a market cap of $2.1 billion. It primarily focuses on nonprime consumer lending business and offers its services through its three brands: easyhome, easyfinancial, and LendCare.

In 2020, goeasy was among a handful of Canadian companies that didn't see a major impact of COVID-19-related lockdowns on its earnings growth. Despite a visible slowdown in revenue growth that year, the company registered a solid 46% YoY (year-over-year) jump in its adjusted earnings in 2020 to $7.57 per share. The demand for its leasing and lending services increased further in 2021, as its revenue grew by 27% YoY for the year. Higher revenue helped goeasy post strong $10.43 per share in adjusted earnings, reflecting the 38% growth over the previous year.

In recent quarters, however, goeasy's financial growth has slowed a little, as macroeconomic challenges due to high inflation started limiting its lending amount to borrowers. This is one of the key reasons why its adjusted earnings growth in the first three quarters of 2022 fell to 11.1% YoY. So, besides the broader market selloff, investors' concerns that economic uncertainties might continue to affect its business in the coming quarters as well could be the primary reason for driving GSY stock lower last year.

How high could GSY stock go in 2023?

It's important to note that the macroeconomic factors that affected goeasy's business growth in recent quarters could be temporary and might not have a major impact on its long-term growth outlook. Moreover, we have already started witnessing early signs of easing inflation in the Canadian economy in recent months. That's why many beaten-down but fundamentally strong stocks on the Toronto Stock Exchange, including GSY stock, have witnessed a sharp recovery so far in 2023.

Although no one can claim that all the economic challenges that kept investors at bay in 2022 have suddenly disappeared this year, goeasy's business may still benefit from easing inflationary pressures in the coming quarters. This is one of the key reasons why I expect the ongoing rally in its share prices to continue.

That said, it's nearly impossible for anyone to predict how high GSY stock could go in 2023, as new economic developments might keep the stock market volatile in the near term. Nonetheless, this expected volatility doesn't make goeasy stock any less attractive to buy at current levels for the long term.

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