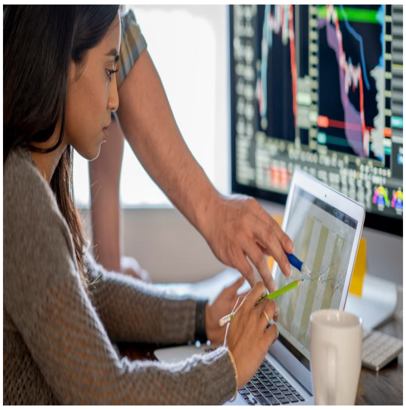

Better Buy: goeasy Stock vs. Aritzia

Description

The macroeconomic headwinds and fear of a recession weighed on high-growth Canadian stocks, including **goeasy** (TSX:GSY) and **Aritzia** (TSX:ATZ). However, both these companies continued to deliver stellar financial performances in 2022, regardless of the weakness in the economy. Also, these Canadian corporations are profitable, making them attractive long-term investments.

It's worth highlighting that both goeasy and Aritzia stocks have outperformed the broader markets in the past five years and delivered significant returns.

For instance, goeasy stock grew at a CAGR (compound annual growth rate) of 32.7% and gained over 313% in five years. Meanwhile, Aritzia stock increased at a CAGR of 27.7% during the same period and delivered a return of 240.5%.

As both stocks have multiplied shareholders' wealth and continue to generate strong growth, let's examine which could deliver higher returns.

Aritzia sees strong growth ahead

Aritzia is the top stock in the consumer discretionary space. The fashion house has consistently grown its revenue and earnings at a double-digit pace.

Its top and bottom lines increased at a CAGR of 19% and 24%, respectively, from fiscal 2018 to fiscal 2022. For the nine months of fiscal 2023, Aritzia's sales and earnings per share increased by 48.3% and 22.7%, respectively.

The strong demand for its offerings and full-price selling drive its sales. Moreover, new boutique openings and momentum in the omnichannel business support its growth.

Thanks to the momentum in its business and boutique expansion in the United States, Aritzia sees its revenue growing at a CAGR of 15-17% through 2027. It expects the earnings per share to grow faster than sales during the same period. Aritzia's strong growth projection due to the ongoing momentum in its business positions it well to deliver outsized returns in the coming years.

goeasy to gain from growing loan portfolio

goeasy has been increasing its revenue and earnings at a breakneck pace, thanks to its growing loan portfolio. It offers lending and leasing services to subprime customers and benefits from higher loan originations and a favorable competitive environment.

From 2011 to 2021, goeasy's revenue and earnings grew at a CAGR of about 16% and 33.6%, respectively. Further, in 2022 its revenue and net income increased by 23% and 10%, respectively.

The company had $2.79 billion in the consumer loan portfolio at the end of 2022. Moreover, it is confident of growing its loan portfolio to $5 billion by 2025.

Higher loans and a wide product range will likely drive its top line. Meanwhile, its solid credit performance and operating efficiency should cushion the bottom line. Thanks to its growing earnings base, goeasy has consistently returned substantial cash to its shareholders. It has been paying a dividend for 19 years and has increased it for nine consecutive years. Overall, goeasy's high-growth business and focus on enhancing shareholders' returns make it a solid long-term stock.

Bottom line

Both companies have solid businesses, strong fundamentals, and are growing rapidly, implying they are likely to generate stellar returns for their investors. However, goeasy's valuation makes it a more compelling investment at current levels.

It is trading at a forward price-to-earnings (P/E) multiple of 9.4 compared to Aritzia's P/E ratio of 21.7. Further, investors will benefit from goeasy's growing dividend.

CATEGORY

1. Investing

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2. TSX:GSY (goeasy Ltd.)

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