



Is Morguard Corporation Worth a Look at \$170?

Description

Morguard Corporation ([TSX:MRC](#)), the real estate company run by Toronto billionaire Rai Sahi, is up 28% year-to-date through August 2, almost 15 percentage points higher than the TSX and within percentage points of its all-time high.

While the company's stock performance in 2016 won't come as a surprise to long-time investors, who are the recipients of a 10-year annualized total return of 17.6%, 260% higher than the index itself, those who've sat on the sidelines while all this merriment took place have to be kicking themselves for missing out.

The question now for investors who aren't shareholders is, Is Morguard worth a look at \$170?

Without getting into a discussion about intrinsic value, I can safely say that any stock that delivers positive returns in eight out of the last 11 years (I'm assuming 2016 is safely in positive territory) should, at the very least, be considered a possible option at almost any price. It's earned that right.

Let's look at what you get for \$170.

You'd get a small piece in three business segments: real estate and investment management advisory services, a 48.8% effective interest in **Morguard North American Residential REIT** ([TSX:MRG.UN](#)), and a 51.1% effective interest in **Morguard Real Estate Investment Trust** ([TSX:MRT.UN](#)). Together, Morguard Corporation owns or manages \$19.3 billion in assets in both Canada and the U.S. When it comes to real estate, it's a player.

In the 12 months ended March 31, 2016, Morguard received \$65.6 million from managing and/or advising \$11.4 billion in third-party assets. While that's only 7% of Morguard Corporation's overall revenue, it's the solid foundation upon which the company is able to grow the real estate assets it actually owns. This revenue is vital to its future because if it can't manage other people's assets with care and diligence, how can it be expected to manage its own?

A lion's share of the revenue it generates is from what it collects in rent from \$2.9 billion in real estate properties owned directly by Morguard Corporation or indirectly through the \$5 billion in real estate

properties held by both Morguard North American Residential REIT and Morguard Real Estate Investment Trust.

In the 12 months ended March 31, 2016, Morguard's own properties generated \$326.4 million in revenue, while its two REITs were responsible for \$492.9 million from their real estate properties. With everything brought together on a consolidated basis, Morguard Corporation generated \$448.2 million in EBITDA from \$819.3 million in revenue.

At a market cap of \$2 billion, Morguard Corporation is trading at 4.5 times EBITDA. **Brookfield Asset Management Inc.**, albeit a much bigger business, not to mention being invested in many non-real-estate-related situations, such as infrastructure and private equity, currently trades at six times EBITDA.

Is Morguard Corporation worth a look at \$170?

I think so. But don't buy it if you're not prepared for a 24-36 month hold because markets as a whole, in my opinion, in both Canada and the U.S. appear to be ready for a correction.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)
2. TSX:MRT.UN (Morguard Real Estate Investment Trust)

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