



Altus Group Ltd. Rallied +17%: Is there More Upside?

Description

Altus Group Ltd. ([TSX:AIF](#)) came out with strong quarterly results this week, and the stock reacted by rallying. Let's take a look at the business to see if it's worth buying today.

The business

Canada-based Altus Group provides advisory services, software, and data solutions to the global commercial real estate industry, allowing its clients to analyze, gain insight, and recognize value on their real estate investments.

Its clients from North America, Europe, and Asia Pacific include large holders of commercial real estate (CRE) asset portfolios, including public and private investment funds, pension funds, real estate investment trusts, corporate investors, developers, brokers, governments, and financial institutions.

Altus Group's leading software solution, ARGUS Enterprise, offers valuation and cash flow analysis, property budgeting and strategic planning, investment and fund structure forecasting, etc.

The software also provides the industry valuation standard in the U.S., the U.K., and Australia, and it enables global portfolio analytical capabilities with multi-currency adaptability. It also has ARGUS EstateMaster, a software for development feasibility analysis.

The company continues to be in a growth phase and is gradually moving towards cloud, which should lead to data monetization in the future.



Growing revenues and earnings

The company is now on its 16th consecutive quarters of year-over-year revenue growth. In the second quarter, Altus Group generated sales growth in all of its business segments.

The Altus Analytics segment was particularly strong with record licence sales; it posted revenue growth of 30.6% for the quarter compared to the same period in the previous year. Organic growth was ~28% and the growth from the EstateMaster acquisition was ~3%.

The Altus Analytics segment generated \$47.4 million of revenue, which made up nearly 37% of the total revenue for the quarter. Moreover, year to date, ~70% of this segment's revenue were recurring.

Its other segments are the CRE Consulting segment, which generated revenue of \$69.8 million (growth of 8.6%), and the Geomatics segment, which posted revenue of \$11.8 million (growth of 22.8%).

Compared to the second quarter of 2016, Altus Group experienced total revenue growth of 17% to \$128.8 million, and its adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) appreciated 37% to \$25 million. Additionally, its EBITDA margin expanded from 16.6% last year to 19.4%.

Investor takeaway

The analyst consensus estimates Altus Group will grow its earnings per share by 17.4% per year for the next three to five years. After the shares appreciated more than 17% to \$31 per share, the stock trades at a forward multiple of ~23.8.

Thomson Reuters has a mean 12-month target of \$35 on the stock, which represents ~12% upside potential in the near term. If you're looking for a better value, consider the shares below \$28 per share.

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