



## Is Morguard Corp. Worth a Look at \$180?

### Description

*The Globe and Mail* ran a fascinating piece about **Morguard Corp.** ([TSX:MRC](#)) CEO Rai Sahi August 22 which did a good job exploring what makes the man tick.

Sahi arrived in Canada in 1971. He immediately took his economics education obtained at a university in India and used it to understand and sell life insurance in Kingston for a couple of years. He then added an accounting designation (CGA), learned how to evaluate businesses as a loans officer at a major Canadian bank, and started buying up companies — all by the time he was 35, only 11 years after immigrating to this country.

Now 71, he oversees a real estate business that owns \$9.4 billion in real estate and manages an additional \$12.5 billion in Canada and the U.S. A value investor by calling, he doesn't spend a lot of time hunting for glamorous assets; he looks for those that will deliver long-term growth for Morguard's shareholders.

It's a process that's worked well, delivering a 32.9% annualized total return to shareholders since the 2009 market lows.

As a result of Sahi successfully steering the company through the 2008 economic crisis and then slamming on the gas, acquiring billions of dollars of cheap residential and office real estate in subsequent years, he's become a billionaire and, according to *Canadian Business*, the 51st richest person in the country.

### Where to from here?

Last August, I [wondered](#) whether Morguard was worth a look at \$170. I concluded that it was.

"At a market cap of \$2 billion, Morguard Corporation is trading at 4.5 times EBITDA," I wrote at the time. "**Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), 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."

Since then, MRC is only up 5.3% compared to 10.1% for Brookfield in this same period. It's pattern that's been happening a lot in recent years. Over the past five calendar years, including the eight

months in 2017, Brookfield's stock has beaten Morguard's in four of those years.

Has Sahi lost his touch?

### **I don't think so**

It's not as if the company is teetering on the verge of bankruptcy. It continues to make acquisitions that will drive future growth in both the value of the real estate acquired and the rental income the properties spin off.

On August 18, it completed the \$18.5 million purchase of a five-storey class A office building in Oakville, Ontario. On the same day, it closed a \$163.1 million purchase of a 492-unit apartment building in Rockville, Maryland, a suburb of Washington D.C.

During the second quarter, it completed acquisitions totaling \$24.1 million. Investors can expect its third-quarter acquisitions, given the two mentioned above, to be much higher.

Importantly, Morguard had fair-value gains in the second quarter on its real estate properties of \$159.2 million, including \$125 million from its multifamily holdings.

Also, it hasn't even had a full year as majority owner (56%) of **Temple Hotels Inc.** under its belt. Temple owns 39 hotels in six Canadian provinces with another under development in Ottawa.

Things are happening.

### **Patient investors only**

If you're someone who likes instant gratification, you don't want to own Morguard stock. However, if you're willing to wait for good things to happen to its stock price, I believe you, along with Rai Sahi, will be rewarded handsomely.

So, yes, Morguard is worth a look at \$180.

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