



A Quality Stock That Looks Discounted But...

Description

Morguard Corporation ([TSX:MRC](#)) stock has delivered excellent long-term returns. In the last 15 years, the stock has delivered 15.8% per year on average. In the last 10 years, it has returned 15.3% per year. In the last five years, it has returned 6.7% per year — a lower return perhaps due to the recent dip.

Specifically, the stock is 12.6% lower than its 52-week high of \$194 per share. It just popped +3% yesterday. So, it might be turning around. The big question is, “Is the stock cheap today?”



First, let's take a look to see if it's the kind of business you would like to own.

A business overview of Morguard

Morguard invests in [real estate](#). It primarily acquires, develops, and owns multi-suite residential, commercial, and hotel properties. Morguard also offers real estate investment advice and management services to major institutional and private investors.

Morguard has \$21.3 billion of assets under management (~63% is owned real estate assets, ~37% is managed real estate assets, and ~37% is managed equities and fixed income).

Morguard's real estate portfolio and its hotel properties make up ~85% and ~6.4%, respectively, of its

total assets. Its real estate portfolio is comprised of ~47% multi-suite residential properties, ~28% retail properties, ~23% office properties, and less than 2% of industrial properties.

Q1 results

Morguard just reported its first-quarter results on Tuesday. It generated \$274.8 million of revenue, of which 74% was from its real estate properties, nearly 20% was from its hotel properties, and ~5.2% was from its management and advisory fees.

Here are some key metrics compared to the same period in 2017:

	Q1 2017	Q1 2018	Change
Total revenue	\$270.9 million	\$274.8 million	1.4%
Net operating income	\$101.1 million	\$99.8 million	(1.3%)
Fair value gain on real estate properties	\$48.4 million	\$65.3 million	34.9%
Funds from operations (FFO)	\$47.6 million	\$49.9 million	4.9%
FFO per share	\$3.99	\$4.32	8.3%

Is Morguard a cheap stock?

The stock has historically traded at a discount. However, it currently trades at an even bigger discount to that historical level. It's likely that higher interest rates have played a part in pulling down the stock. If the stock trades at its normal discount rate, it'll have upside potential of up to 19% from the recent quotation of \$169.50 per share.

Should you buy Morguard?

Morguard has quality management and a strong portfolio, and the stock has [outperformed in the long run](#). Currently, the stock trades at a discount. So, it's a good time to consider buying some shares.

However, investors should only buy Morguard if they have a very long investment horizon, because the stock is thinly traded, and you could get stuck with the stock if you can't find a buyer when you want to sell. Yahoo Finance indicates Morguard has an average volume of 2,265!

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