



## Growth Investors: This 1 Stock Will Shake Up the Real Estate Industry!

### Description

Technology has truly integrated itself into society with innovations across all industries. From companies such as **Beyond Meat**, to **Shopify** and **Lightspeed**, there is no end to the ability for technology to improve existing products and services.

The company that I will be talking about today is a [leading technology and network management](#) company that provides appraisal services to the mortgage lending industry in the U.S. and Canada, as well as title and closing services and insurance inspection services.

**Real Matters** ([TSX:REAL](#)) operates in Canada and the U.S. under its two main brands, Solidifi and iv3.

### An interpretation of the numbers

For the nine months ended July 31, 2019, the company reports an unimpressive balance sheet with a decrease in assets by US\$3.7 million and a growth in liabilities of US\$6.5 million. Investors may be concerned with these numbers, but the company also reports shareholders' equity of US\$172 million for a tangible net worth (TNW) of US\$101 million, which is very strong. TNW is important as it represents the real value of the company.

Net income increased to US\$2.1 million from US\$(1.5) million the prior year. This is largely due to a reduction in income tax expense by US\$1.2 million and lower amortization costs of US\$9.4 million compared to US\$15.3 million the prior year. This is a good indication for investors.

A couple of things stand out on the cash flow statement. First, cash used in investing increased significantly due to US\$1.9 million in property, plant & equipment (PP&E) purchases compared to US\$388,000 the prior year. Despite this, the company reports a strong end-cash balance of US\$60.5 million which is a plus.

### But wait, there's more

The company reports warrant liabilities of US\$5.5 million which is up from US\$3.8 million in 2018. The warrants were issued by the company at its IPO and expire on May 11, 2022 (five years after the IPO). This is an important line item for investors as it represents 23% of the company's total liabilities. The adjusted total liabilities would be US\$18.1 million.

During the nine month period ending July 31, 2019, 232 warrants were exercised at a fair value of US\$791,000. The company recorded a US\$122,000 loss to account for the difference between the warrants' book value versus exercise price.

The fact that the company is under no obligations to pay cash when the warrants expire or when they are exercised should give investors some comfort. If the warrants expire then the company records this under other income but if it is exercised it is recorded under common shares.

## Foolish takeaway

Investors that are looking to add a tech-real estate company to their portfolio should [consider buying shares of Real Matters](#). With healthy financials that consist of US\$101 million in TNW, net income of US\$2.1 million and an ending cash balance of US\$60.5 million, the company is well positioned to deliver returns to its investors.

Investors may be hesitant to invest after learning of the company's US\$5.5 million in warrant liabilities but my research suggests that the company's financial profile covers this liability without any issues.

As the real estate industry embraces technology, investors are going to want to get a piece of the action.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:REAL (Real Matters Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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### Category

1. Investing

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