This TSX Stock Made Investors Rich, and the Rally Isn't Over Yet

Description

Those who invested in the shares of **Real Matters** (TSX:REAL) have a lot to cheer. The company is firing on all cylinders, pushing its stock higher. Investors should note that Real Matters stock has generated a phenomenal return of more than 71% so far this year, outperforming the broader markets by a wide margin. Meanwhile, it's up by about 230% in one year.

The steep rise in Real Matters stock might make you think that you have missed the opportunity of investing in it. However, the rally isn't over yet, and Real Matters isn't done making money for its investors.

What's behind the rally?

Real Matters is a technology company that provides real estate appraisals and title and mortgage closing services to the mortgage lending and insurance industry in the U.S. and Canada. While the COVID-19 outbreak took a significant toll on the majority of businesses, Real Matters has been resilient and is performing exceptionally well on the financial front.

The lower interest rate environment has been a significant tailwind for Real Matters, driving demand for its services. The lower rates have led to an increased refinancing of mortgages in the U.S., driving volumes for the company. Besides higher volumes, market share gains and new client additions further support the company's revenue and profitability.

In the most recent quarter, Real Matters's net revenues jumped by 79%. Moreover, the adjusted EBITDA came in at US$14.6 million from US$2.8 million in the prior-year quarter. Real Matters posted adjusted net income of US$11.0 million as compared to US$1 million in the prior-year period.

Valuation well within reach

Despite the surge in Real Matters stock, its valuation is still within reach. Shares of Real Matters are trading at a discount when compared to the industry average. Real Matters is trading at next 12-month price-to-earnings ratio of 24.1, which is below the industry average of 29.7. Meanwhile, it's trading at the next 12-month price-to-cash flow ratio of 20.7, which is even lower than the industry average of

23.4.

Also, the company’s next 12-month EV-to-EBITDA ratio of 16.6 is lower than the industry average of 17.8.

Now what?

The record-low interest rates are likely to drive volumes higher than what the industry can handle. Even amid higher unemployment and forbearance rates and reduced property values, the volumes are expected to remain high, creating a long-term growth opportunity for Real Matters. The company is well positioned to gain from increased refinancing activities. The company expects the industry to take about two to three years to cycle through these higher volumes.

Moreover, in the second half of 2020, Real Matters is likely to benefit from higher title close volumes in the U.S. and increased underwriting activities. The company’s balance sheet remains strong with cash and cash equivalents of US$89.1 million and no debt.

The low mortgage rates, markets share gains, and new client acquisitions provide a strong underpinning for growth. Further, with the forward price-to-earnings ratio of 24.1 and an expected EPS growth of more than 50%, Real Matters stock is a steal.

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