



Real Matters (TSX:REAL) Stock Dropped 14%: Should You Buy?

Description

Shares of **Real Matters** ([TSX:REAL](#)) have dropped about 14% in the last 10 trading days. Meanwhile, it fell over 6% yesterday, as the company [announced](#) that its CEO Jason Smith plans to sell 750,000 shares, or 15% of his holdings in Real Matters. The shares will be sold under the Automatic Securities Disposition Plan over 12 months starting August 4.

While markets didn't take the announcement as a positive sign, it doesn't indicate that Real Matters stock is not going to go up. Many company leaders continue to do so, and that hasn't stopped the stock prices of their companies from increasing over time.

Solid underlying business

Real Matters runs an exceptional business that has proven to be resilient to the circumstances caused by the pandemic. Besides, Real Matters's competitive advantage over the peers is leading to market share gains and the addition of new clients.

The company's underlying business remains strong, thanks to the surge in volumes. The pandemic led central banks around the world to cut interest rates sharply. The lower interest rate environment has created a significant growth opportunity for the company. The underlying strength of its business is reflected well through the recent bull run in its stock.

Despite the pullback, Real Matters stock is up about 67% so far this year. Moreover, the stock has surged over 229% in one year.

The low interest rates will continue to support refinancing volumes, which is likely to act as a tailwind for Real Matters. The company expects lenders to increase their underwriting capacity to meet the spurt in demand for refinancing. The increased underwriting capacity should open up long-term growth opportunities for Real Matters and support its market share growth.

In the near term, the volume of activity in the U.S. mortgage market will continue to stay high, driven by strength in the refinance mortgage origination. Real Matters will continue to perform well, despite the decline in property value and an expected increase in the unemployment rate.

Attractive valuation

The recent pullback in Real Matters stock has dragged its valuation lower, making it an attractive investment option. Real Matters stock is trading at a considerable discount when compared to the industry average.

Shares of Real Matters trade at next 12-month price-to-earnings ratio of 24.4, which is well below the industry (enterprise software) average of 30.1. Besides, the REAL stock is trading at the next 12-month EV-to-EBITDA ratio of 16.1, as compared to the industry average of 18.9.

Moreover, the company's forward price-to-cash flow ratio of 20.7 is below the industry average of 23.4.

Bottom line

Real Matters will continue to post stellar financials in the coming quarters, thanks to the higher demand for refinancing in the United States. Meanwhile, higher revenues are likely to drive strong double-digit growth in its bottom line. Besides, Real Matters maintains a strong balance sheet with no debt and has ample cash to fund its capital requirements and growth opportunities.

Moreover, its low valuation and robust financial outlook provide [ample room for future growth](#) in its stock.

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