



Real Matters (TSX:REAL) Stock: What's Next After a 115% Rally?

Description

Real Matters ([TSX:REAL](#)) stock is on a strong bull run and has increased about 115% year to date. Moreover, its stock has surged over 273% in one year, beating the broader markets by a wide margin. Investors should note that the strong fundamentals back the significant run in Real Matters stock. Meanwhile, the company has ample room for further growth with occasional small pullbacks.

The impressive growth in Real Matters stock is due to the steep rise in demand for its products and services. Meanwhile, the record-low interest rates indicate that the demand for its offerings could remain high in the foreseeable future, driving its stock higher in 2020 and beyond.

Growth catalysts

Real Matters's products and services support mortgage lending and insurance industries. The company offers residential real estate appraisals. Moreover, it also provides title and mortgage closing services.

The company's market share growth and new client additions continue to drive its revenues and profitability.

Moreover, it is benefitting from the surge in the U.S. mortgage refinance origination market owing to the lower interest rates. Real Matters reported a 79% growth in its net revenues [during the last reported quarter](#). Meanwhile, its adjusted EBITDA jumped from US\$2.8 million to US\$14.6 million. Stellar revenues and EBITDA growth drove its adjusted net income higher. The company's adjusted earnings came in at US\$11 million, as compared to US\$1 million in the year-ago quarter.

Investors should know that the mortgage refinances activity is highly sensitive to interest rates. A lower interest rate environment will result in a higher volume of activities in the refinance market, which should support Real Matters's revenues and margins.

The rising coronavirus infection will keep mortgage rates low in the coming quarters, which should drive Real Matters stock higher.

Real Matters expects the refinance volumes to remain high, despite increased unemployment and forbearance rates. With the surge in refinance volumes and recovery in the purchase market, Real Matters stands to gain big.

Valuation supports further upside

Real Matters stock trades at the next 12-month price-to-earnings ratio of 30.5, which is lower than the industry average of 31.6. Besides, its valuation looks attractive, given strong future growth potential. The steep jump in refinance volumes should result in a very high double-digit growth in Real Matters's revenues and earnings.

Real Matters is witnessing strong market share growth, resulting in robust revenues and margins. Now, with the drop in interest rates, the company is set to benefit significantly with acceleration in volume growth and margin expansion.

Bottom line

Real Matters has a significant amount of addressable market and should continue to expand its net revenues and adjusted EBITDA margins across each of its business segments due to an increase in volumes.

The company expects the refinance volumes to be higher than what the industry could handle in the near term, which implies that its top and bottom line are likely to grow at a brisk pace in the coming quarters.

The favourable operating environment and market share gains indicate that [Real Matters stock could continue to make investors rich](#).

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Author

snahata

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