Can Real Matters (TSX:REAL) Stock Turn Your $6,000 TFSA Into $60,000?

Description

The TFSA (Tax-Free Savings Account) was introduced back in 2009 to encourage savings. The contributions to this registered account are not tax deductible; however, any withdrawals in the form on dividends or capital gains are exempt from Canada Revenue Agency taxes.

This makes the TFSA an ideal account to hold growth stocks such as **Real Matters** (TSX:REAL). Investing in growth stocks and having a long-term outlook can help create massive wealth. Growth stocks generate market-beating returns, and holding them under a TFSA can help accelerate your retirement plans, as withdrawals are not subject to CRA taxes.

The TFSA contribution room for 2020 stands at $6,000. Let's see what makes Real Matters a compelling pick for your registered account.

Real Matters went public in May 2017

The Real Matters platform integrates proprietary technology and network management capabilities with independent qualified field agents. It has created a marketplace for mortgage lending and insurance industry services. Real Matters focuses on the mortgage and insurance sectors and helps them with appraisals and inspections.

The company went public back in May 2017 at a price of $13 per share, and its stock has since returned 80% in over three years, comfortably outpacing broader market gains. Real Matters aims to strengthen its competitive position and generate increased sales and profit margins.

It has forecast the total addressable market at US$13 billion and given the company's expected sales of $159 million in 2020, Real Matters has enough drivers for sustainable revenue growth.

Real Matters is banking on its easily scalable platform to create a differentiated competitive advantage to service providers by addressing critical issues within the mortgage lending and insurance industries. Analysts expect company sales to grow by 56% in 2020 and by 29% year over year to $205.54 million in 2021.

Real Matters is also focusing on the expansion of its profit margins. The company has been posting an adjusted positive EBITDA since 2012, and analysts expect earnings to increase by a massive 148% in 2020. Earnings growth is forecast at 57% for the next five years, which means the stock's price-to-earnings multiple of 41 is reasonable.

The Foolish takeaway

Real Matters is part of an expanding market that is also supported by a low interest rate environment that should drive refinancing activities higher and lead to higher utilization on the company's platform.

In the most recent quarter, the company reported sales growth of 53% year over year, while EBITDA was up a staggering 101%. Real Matters has a nationwide footprint, and its robust proprietary platform will help it acquire new clients and expand market share in title and appraisal businesses. Its customer retention rate stands at 95%, indicating a high level of satisfaction, which will also drive recurring sales, resulting in steady and predictable cash flows.

Further, interest rates are unlikely to move higher in the near term, given Canada's unemployment rates and a tepid macro environment. This would help sustain growth in mortgage refinancing activities and drive incremental sales for Real Matters in the upcoming quarters.

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