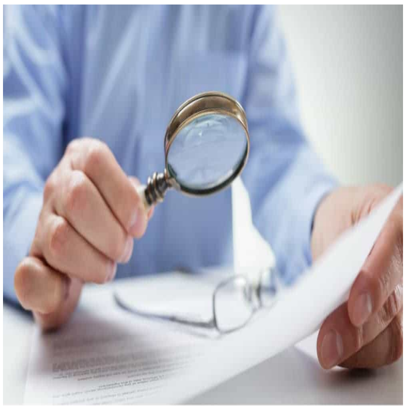

Dye & Durham (TSX:DND) vs. Real Matters (TSX:REAL): Which Is a Better Buy?

Description

The technology stocks have been under pressure this month amid the concerns over high valuation and profit booking. Also, the surge in COVID-19 cases across the world is weighing on the stocks. Meanwhile, the pandemic has created a long-term tailwind for technology companies by creating a sustainable demand for their products and services.

So, long-term investors should utilize the pullback to buy these tech stocks for higher gains. So, which among **Dye & Durham** (TSX:DND) and **Real Matters** (TSX:REAL) would be a better buy right now?

The case for Dye & Durham

Dye & Durham, which operates in Canada and the United Kingdom, provides due diligence and corporate services through its cloud-based software solutions. Yesterday, the company reported its second-quarter results. Its revenue declined by 6% on a year-over-year basis to $14.2 million. The slowdown in economic activities and temporary closure of courthouses amid the pandemic lowered its transactions.

For the quarter, the company's net losses came in at $3.8 million compared to a net profit of $1.7 million in the previous year's quarter. The expenses related to the enhancement of its real estate product offering, acquisitions in the last four quarters, and higher financial costs associated with the settlement of prior credits weighed on the company's bottom line.

Meanwhile, the company, through its product offerings, continues to drive its customer base. It has more than 25,000 clients, with a churn rate of a meagre 2%. Its net revenue retention stands at 109%. Apart from its organic growth, the company also focuses on acquisitions. The company has made 14 acquisitions in the last seven years.

Yesterday, the company also announced to have signed an agreement to acquire a Property Information Exchange,

The company projects its addressable market in Canada and the United Kingdom to be $1.1 billion and

$900 million, respectively. So, with its revenue standing at $65.5 million for fiscal 2020, the company has a significant opportunity to expand.

The case for Real Matters

Through its proprietary platforms and network capabilities, Real Matters has created a marketplace for the mortgage lending and insurance industry. The company services over 60 of the top 100 mortgage lenders in the United States. Further, it has a high retention rate of over 95%, indicating a high level of satisfaction among its clients.

The lower interest rates have caused a surge in refinancing activities, which has created a sustainable demand for the company's services. In the recently completed quarter, its net revenue grew by over 52%, while its adjusted EBITDA doubled on a year-over-year basis.

Meanwhile, many mortgage lenders are facing scalability and performance issues with their existing vendors amid the surge in refinancing activities, which could benefit Real Matters. Given its nationwide presence, a healthy partnership with the field executives, and its proprietary platforms, the company is well equipped to acquire new clients and expand its market share.

Meanwhile, the company estimates its addressable market to be approximately US$13 billion. With the company's revenue for fiscal 2020 estimated to be at US$425.7 million, the company has significant scope for expansion.

Bottom line

Both companies have performed exceptionally well so far. Since its IPO in July, Dye & Durham has delivered over 200% of returns. Meanwhile, Real Matters's stock price has increased by over 215% since bottoming out in March.

However, after the recent pullback, Dye & Durham and Real Matters are trading approximately 20% and 25% lower from their respective 52-week highs. Although both companies offer impressive growth prospects, I would like to go with Real Matters, given its strong track record and attractive valuation.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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2. TSX:REAL (Real Matters Inc.)

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