This TSX Real Estate Stock Performed Well Amid the Pandemic

Description

It's hardly a secret that many stocks were oversold when the country went into a lockdown in mid-March this year. A few stocks were oversold as investors over-estimated the impact of the lockdown on the company or under-estimated the resilience of the company.

Real estate service provider **Colliers International Group** (TSX:CIGI) was one such stock that was trading at $119 before it crashed to $62 in mid-March, losing close to 50% in market value. The company's primary business is real estate management and serves a wide base of corporate and institutional clientele, operating across the world, including the Americas, Europe, Middle East, and Asia. When the lockdown hit, it was assumed that the real estate sector would be battered and the assumption reflected in Colliers' stock price.

However, the company has managed to tide over the uncertainty and its stock price has steadily risen from $62 to over $94 today. Colliers recently announced its results for the third quarter of 2020, and it's not difficult to see why the price recovered since March.

Colliers sales fell 7%

Third-quarter revenues for Colliers were $692 million, down 7% compared to the same period in 2019. However, adjusted EBITDA was $92 million, up 8% from 2019. Revenue from the Americas was $423 million, similar to 2019. EMEA revenue was $117 million, down 19%, while Asia-Pacific took the worst hit as its revenue fell 23% to $110 million. Investment management revenues were up 4% at $42 million.

The results are much better than expected. Colliers is very bullish about its ability to ride out the pandemic. Jay Hennick, Globa Chairman, and CEO said, "While uncertainties persist, we expect our full-year results to come in stronger than anticipated. As a result, we have increased our operating assumptions for the balance of the year." Its guidance for 2020 says that the updated revenue range for 2020 forecasts a decline between 10% and 15% decline.

A key market in Q4 for Colliers is the EMEA one. Historically in a normal year, its EMEA business generates close to half its EBITDA in Q4, and the company remains confident about Q4 this year as well.

Colliers grabbed all the opportunities the pandemic threw its way. Thanks to a strong balance sheet, it went on an acquisition spree even as its peers hit the pause button or were extremely cautious when it came to inorganic growth. So far in 2020, the company invested $240 million in acquisitions, up from $45 million last year.

What's next for investors?

Almost 60% of Colliers' earnings are from resilient, recurring high -quality services. The last quarter has seen a lot of uncertainty normalize with respect to the business environment and in some territories, it has even experienced a strong recovery, which should help Colliers continue to offer good value to its shareholders. Over the past 25 years, the company has delivered a 20% compound annual growth rate in share value.

A key feature about Colliers' shareholding is that its management owns almost 40% of the equity in the company, which means they remain confident about its long-term potential.

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