



TFSA Investors: Canada's Best Real Estate Stock Unveiled

Description

MCAN Mortgage (TSX:MKP) is a [financial company](#) whose objective is to generate a reliable stream of income by investing in a diversified portfolio of Canadian mortgages, including single family residential, residential construction, non-residential construction, and commercial loans. The company also invests other types of securities, loans, and real estate investments.

Business strategy

MCAN employs leverage by [issuing term deposits](#) that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. The company is entitled to deduct the dividends paid to shareholders from MCAN's taxable income. MCAN's wholly owned subsidiary, XMC, is an originator of single-family residential mortgage products across Canada.

On many levels, 2020 was a very challenging year for the company and MCAN initiated work-from-home protocols. Through all of this, the company's business thrived and grew. MCAN's return on shareholders' equity was 26% compared to 13% in the prior year. The company's business activities in early 2020 provided a strong position for MCAN entering the COVID-19 economic crisis.

Since mid-March, the company has been focused on managing all of MCAN's business activities and risks in the context of the COVID-19 pandemic and the new economic, business and daily living environment in Canada. The company efficiently mobilized to remote operations and since then continue to execute the business effectively.

Corporate asset growth increased by 14% year over year, and MCAN achieved the company's objective of balancing the risk profile of the balance sheet. Growth in MCAN's single-family mortgages created additional capacity for further growth in the company's construction and commercial portfolio.

Underwriting discipline

MCAN's lending criteria continues to generate a strong loan book. A significant amount of the company's construction loans was repaid during COVID-19 in an abnormal economic environment, demonstrating the strength of the company's business. MCAN has strong strategic partnerships for loan originations and has been proactively managing all of the company's income earning corporate assets resulting in capital recycling, growth, and a better balance sheet.

The company's growth in single family mortgages and various capital-recycling activities have been executed based on MCAN's views of the economy, interest rates, housing market dynamics, and the overall real estate cycle in Canada. MCAN has adjusted the company's business activities in the context of market dynamics.

Realistic growth expectations

The company's targeted annual growth in corporate assets over the long term is 10%. MCAN's activities are part of a multiyear strategic focus on the company's internal operations to deliver enhanced customer service and drive sustainable, profitable growth. The company has stepped up well to business challenges and seized opportunities, backed by strong business partnerships and a talented and committed team.

The company's focuses on growing and enhancing shareholder value in alignment with MCAN's risk appetite. This has helped it increase the returns on shareholders' equity, dividends, and long-term success in the company's chosen markets. MCAN is expected to optimize the utilization of the company's balance sheet capacity and to continue to increase capacity to grow. The company's strategic partnerships with brokers, originators, and service providers are foundational to MCAN's business model.

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Date

2025/08/25

Date Created

2021/03/17

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