ATTENTION: This Real Estate Technology Stock Could Be a Bargain

Description

Real Matters (TSX:REAL) provides residential real estate appraisal and title and closing services to mortgage lenders in the United States and Canada. The company's technology-based platform creates a competitive marketplace where field professionals compete for volumes provided by the company's clients based on performance and professionalism. Headquartered in Markham, Ontario, the company's principal offices include Buffalo, New York, Middletown, Rhode Island, and Denver, Colorado.

Competitive advantages

Lenders allocate the mortgage origination volumes to service providers based on performance. The company's performance often results in it obtaining an outsized allocation of transaction volumes from these lenders compared to the company's competitors. Tier-one and other prominent lenders typically require service providers to have a national footprint and be well capitalized. These requirements currently present a significant barrier to entry for new entrants and provide a competitive advantage to the company.

The company services one of the largest addressable markets in the world and provides residential real estate appraisal and title and closing services to blue-chip clients. The company's continued pursuit to outperform competition helps solidify the relationships it has built with clients over the long term.

Strong balance sheet

The company is built for scale and has a strong balance sheet to support long-term business objectives. The company takes a long-term view to manage and measure the success of business strategies. Real Matters's principal focus is on market share growth, and it seeks to achieve market share increases irrespective of market conditions for residential mortgage originations. Market share growth is achieved by onboarding new clients and increasing market share with the company's existing clients.

The mortgage market is subject to the influence of many factors, such as broader economic conditions, fluctuating interest rates, changing regulations, and the company's clients' share of the market. The company services the U.S. and Canadian residential mortgage industries through the company's Solidifi brand.

Platform development

The company has invested significantly to build an in-house developed proprietary technology. The company's technology creates a differentiated long-term competitive advantage compared to traditional service providers by addressing key issues within the mortgage lending and insurance industries. Real Matters follows a disciplined approach to software development and regularly invests in new technology innovations and functionality to enhance the platform. This disciplined software development model has allowed the company to focus development costs into a single technology offering that can be expanded to additional services.

Scalable business model

Further, the company has a highly attractive and scalable business model derived from the platform. The company's significant independent field professional network, network management capabilities, and proprietary technology are designed to accommodate growth in clients and transaction volumes. Furthermore, the company's technology uses the same source code for all clients, and when new features and functionalities are deployed, they are made available to all clients. These advantages allow the company to add new clients with limited incremental cost.

The company's established relationships and supply of volume to tens of thousands of field professionals presents a significant barrier to entry for new entrants and an advantage over existing competitors. This should serve long-term shareholders well.

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