MACRO OPS

RESEARCH

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Altisource Portfolio Solutions (ASPS)

Business Description: Altisource Portfolio Solutions S.A. operates as an integrated service provider and marketplace for the real estate and mortgage industries in the United States and internationally. It operates in two segments, Mortgage Market and Real Estate Market. - TIKR.com

The Thesis: ASPS is an "ick" stock that doesn't screen well, is currently losing money and sports negative earnings per share. But,. the future will look very different than the past. This counter-cyclical company is expanding their Field Services business and diversifying away from their dependence on Ocwen, NRZ and RESI. We believe ASPS can return to profitable growth and ~13% EBITDA margins over the next five years as they expand their global footprint and reduce per-unit operating costs. For comparison, ASPS did $143M in operating income at 14% EBIT margins. If we're right, we could see **$20/share and 200% upside.**

Management seems to agree with our thesis as they've bought back stock hand-over-fist. CEO William Charles owns close to 40% of the company. Interests are aligned.

ASPS Business Segments

- **Field Services**: Provides inspection, preservation and maintenance services for pre-foreclosure and post-foreclosure properties. Also provides invoice and oversight workflow solutions.
- **Marketplace:** Provides residential asset management, brokerage, online marketing and disposition services for foreclosures and short sales.
- **Mortgage & Real Estate Solutions:** Provides solutions, services and technologies for originating, buying, selling and servicing residential mortgages.

Why The Share Price Collapse?

ASPS is unwinding their dependence on three main revenue sources: Ocwen, NRZ and RESI. This has resulted in five straight quarters of revenue declines. The stock also sold-off hard during the COVID-19 panic amidst myriad government stimulus programs.

Why Should It Turn Around?

ASPS benefits from recessions. The more foreclosures hit the market, the more ASPS' services are needed. The company should benefit from an incoming recession as people default on their mortgages due to lost jobs, reduced salaries or continued COVID shut-down.

The company's growing their customer base away from "The Big Three" mentioned earlier. This should further cement ASPS' moat and bolster EBITDA margins over the next five years as they spread out costs over more customers.

Risks/Pre-Mortem

- Not many people have defaulted on their homes in the last five years
- Interest rates are low so people assume they won't default
- Most of their business comes from Ocwen, which itself is a bad business and their agreement ends in 2025

(h/t to Kuppy for bringing this one to our attention)