

Real Matters Reports Second Quarter Financial Results

May 7, 2024

(all amounts are expressed in millions of U.S. dollars, excluding per share amounts and unless otherwise stated)

TORONTO--(BUSINESS WIRE)-- Real Matters Inc. (TSX: REAL) ("Real Matters" or the "Company"), a leading network management services platform for the mortgage and insurance industries, today announced its financial results for the second quarter ended March 31, 2024.

"We were very pleased to report positive consolidated Adjusted EBITDA^(A) of \$0.7 million and net income of \$2.1 million in the second quarter as we outperformed the market on a sequential and year-over-year basis in U.S. Appraisal principally due to market share gains," said Real Matters Chief Executive Officer Brian Lang. "Consolidated revenues were up 19% quarter-over-quarter due to a 22% increase in U.S. Appraisal revenues and a 15% increase in Canadian segment revenues. U.S. Title revenues were flat quarter-over-quarter."

"Through our network management model, we continued to improve U.S. Appraisal Net Revenue^(A) margins which set a new record high of 28.3%, up 40 basis points from the first quarter. We also had strong operating leverage in the second quarter, particularly in our U.S. Appraisal segment where Adjusted EBITDA^(A) margins increased 1,210 basis points quarter-over-quarter to 47.9%," added Lang.

"While the mortgage market continues to face interest rate and affordability headwinds, our business model, focus on market share, and operating efficiency are delivering improved financial performance. We are well-positioned for growth when market conditions improve and the business scales back up," concluded Lang.

Q2 2024 Highlights

- Consolidated revenues of \$42.2 million, up 19% quarter-over-quarter
- Positive consolidated Adjusted EBITDA^(A) of \$0.7 million and net income of \$2.1 million
- Record-high U.S. Appraisal Net Revenue^(A) margins of 28.3%, up 40 basis points quarter-over-quarter and up 70 basis points year-over-year
- Year-over-year market share gains with 4 of our top 7 U.S. Appraisal clients
- Quarter-over-quarter market share gains with Tier 1 lender and launched 2 new clients in U.S. Title
- Year-over-year market share gains with 2 top clients and launched 2 new clients and 1 new channel in Canada
- Cash and cash equivalents of \$44.4 million and no outstanding debt

Financial and Operational Summary

	<i>(millions of dollars)</i>						Quarter ended		Six months ended		%
	2024	2024	2023	2023	2023	% Change		2024	2023	Change	
						Quarter	Year				Year
						over	over			over	
								March	March		
								31	31	Year	
Consolidated											
Revenue	\$ 42.2	\$ 35.4	\$ 42.2	\$ 46.0	\$ 37.6	19%	12%	\$ 77.6	\$ 75.8	2%	
Net Revenue ^(A)	\$ 11.5	\$ 9.7	\$ 11.2	\$ 12.1	\$ 9.9	19%	16%	\$ 21.2	\$ 19.7	8%	
Adjusted EBITDA ^(A)	\$ 0.7	\$ (1.1)	\$ 0.6	\$ 1.7	\$ (1.7)	166%	142%	\$ (0.4)	\$ (4.6)	92%	
Net income (loss)	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ (2.6)	158%	181%	\$ (1.5)	\$ (7.2)	79%	
Net income (loss) per diluted share	\$ 0.03	\$ (0.05)	\$ 0.02	\$ (0.01)	\$ (0.04)	160%	175%	\$ (0.02)	\$ (0.10)	80%	
Adjusted Net income (loss) ^(A)	\$ 1.3	\$ (1.2)	\$ 0.8	\$ 1.0	\$ (1.9)	207%	168%	\$ 0.1	\$ (4.0)	103%	
Adjusted Net income (loss) ^(A) per diluted share	\$ 0.02	\$ (0.02)	\$ 0.01	\$ 0.01	\$ (0.03)	200%	167%	\$ -	\$ (0.06)	100%	

U.S. Appraisal segment

Revenue	\$ 32.6	\$ 26.8	\$ 31.2	\$ 33.5	\$ 28.0	22%	16%	\$ 59.3	\$ 56.3	6%
Net Revenue ^(A)	\$ 9.2	\$ 7.5	\$ 8.6	\$ 9.2	\$ 7.7	23%	19%	\$ 16.6	\$ 15.4	9%
Net Revenue ^(A) margin	28.3%	27.9%	27.5%	27.5%	27.6%			28.1%	27.3%	
Adjusted EBITDA ^(A)	\$ 4.4	\$ 2.7	\$ 3.9	\$ 4.8	\$ 3.1	65%	40%	\$ 7.1	\$ 5.5	30%
Adjusted EBITDA ^(A) margin	47.9%	35.8%	46.0%	52.0%	40.6%			42.5%	35.5%	

U.S. Title segment

Revenue	\$ 2.0	\$ 2.0	\$ 2.3	\$ 2.6	\$ 2.2	0%	-9%	\$ 4.1	\$ 4.6	-11%
Net Revenue ^(A)	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.2	\$ 0.8	-7%	9%	\$ 1.9	\$ 1.6	13%
Net Revenue ^(A) margin	44.0%	47.3%	45.0%	45.2%	36.8%			45.7%	35.7%	
Adjusted EBITDA ^(A)	\$ (1.7)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (2.3)	-2%	28%	\$ (3.3)	\$ (5.2)	37%
Adjusted EBITDA ^(A) margin	-184.8%	-167.9%	-150.4%	-133.6%	-279.3%			-176.0%	-316.4%	

Canadian segment

Revenue	\$ 7.6	\$ 6.6	\$ 8.7	\$ 9.9	\$ 7.4	15%	2%	\$ 14.2	\$ 14.9	-5%
Net Revenue ^(A)	\$ 1.4	\$ 1.2	\$ 1.6	\$ 1.7	\$ 1.4	15%	3%	\$ 2.7	\$ 2.7	-2%
Net Revenue ^(A) margin	18.9%	18.8%	17.9%	17.6%	18.7%			18.8%	18.3%	
Adjusted EBITDA ^(A)	\$ 0.9	\$ 0.7	\$ 1.2	\$ 1.3	\$ 1.0	26%	-8%	\$ 1.6	\$ 1.8	-13%
Adjusted EBITDA ^(A) margin	62.3%	56.8%	72.9%	73.7%	69.8%			59.7%	67.0%	

Corporate segment

Adjusted EBITDA ^(A)	\$ (2.9)	\$ (2.9)	\$ (2.9)	\$ (2.8)	\$ (3.5)	-4%	16%	\$ (5.8)	\$ (6.7)	14%
--------------------------------	----------	----------	----------	----------	----------	-----	-----	----------	----------	-----

Conference Call and Webcast

A conference call to review the results will take place at 10:00 a.m. (ET) on Tuesday, May 7, 2024, hosted by Chief Executive Officer Brian Lang and Chief Financial Officer Rodrigo Pinto. An accompanying slide presentation will be posted to the Investor section of our website shortly before the call.

To access the call:

- Participant Local (Toronto): (416) 764-8624
- Participant Toll Free Dial-In Number: (888) 259-6580
- Conference ID: 15967181

To listen to the live webcast of the call:

- Go to: <https://events.g4inc.com/attendee/364858386>

The webcast will be archived and a transcript of the call will be available in the Investor section of our website following the call.

(A) Non-GAAP Measures

The non-GAAP measures used in this news release, including Net Revenue, Adjusted EBITDA and Adjusted Net Income do not have a standardized meaning prescribed by International Financial Reporting Standards and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP measures are more fully defined and discussed in the Company's MD&A for the three and six months ended March 31, 2024 under the heading "Non-GAAP measures", which is incorporated by reference in this Press Release and available on SEDAR+ at www.sedarplus.ca.

Real Matters financial results for the three and six months ended March 31, 2024 are included in the unaudited interim condensed consolidated financial statements and the accompanying MD&A, each of which are available on SEDAR+ at www.sedarplus.ca. In addition, supplemental information is available on our website at www.realmatters.com.

Net Revenue represents the difference between revenues and transaction costs. Net Revenue margin is calculated as Net Revenue divided by Revenues. The reconciling items between net income or loss and Net Revenue were as follows:

	Quarter ended	Six months ended
--	---------------	------------------

	Q2	Q1	Q4	Q3	Q2	March	March
	2024	2024	2023	2023	2023	31,	31,
						2024	2023
Net income (loss)	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ (2.6)	\$ (1.5)	\$ (7.2)
Operating expenses	11.2	11.6	10.9	10.7	11.9	22.8	25.1
Amortization	0.8	0.8	0.9	1.0	1.0	1.6	2.0
Restructuring expenses	-	-	-	-	0.4	-	1.7
Interest expense	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Interest income	(0.4)	(0.4)	(0.3)	(0.2)	(0.2)	(0.8)	(0.3)
Net foreign exchange (gain) loss	(2.2)	2.0	(1.8)	1.8	0.1	(0.2)	1.1
Loss (gain) on fair value of derivatives	0.1	(0.2)	(0.1)	(0.5)	(0.3)	(0.1)	(0.3)
Income tax recovery	(0.2)	(0.6)	(0.1)	(0.2)	(0.5)	(0.8)	(2.6)
Net Revenue	\$ 11.5	\$ 9.7	\$ 11.2	\$ 12.1	\$ 9.9	\$ 21.2	\$ 19.7

Adjusted EBITDA represents net income or loss before stock-based compensation expense, amortization, restructuring expenses, interest expense, interest income, net foreign exchange gain or loss, gain or loss on fair value of derivatives and income tax expense or recovery. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Net Revenue. The reconciling items between net income or loss and Adjusted EBITDA were as follows:

	Quarter ended					Six months ended	
	Q2	Q1	Q4	Q3	Q2	March	March
	2024	2024	2023	2023	2023	31,	31,
						2024	2023
Net income (loss)	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ (2.6)	\$ (1.5)	\$ (7.2)
Stock-based compensation expense	0.4	0.8	0.3	0.3	0.3	1.2	0.8
Amortization	0.8	0.8	0.9	1.0	1.0	1.6	2.0
Restructuring expenses	-	-	-	-	0.4	-	1.7
Interest expense	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Interest income	(0.4)	(0.4)	(0.3)	(0.2)	(0.2)	(0.8)	(0.3)
Net foreign exchange (gain) loss	(2.2)	2.0	(1.8)	1.8	0.1	(0.2)	1.1
Loss (gain) on fair value of derivatives	0.1	(0.2)	(0.1)	(0.5)	(0.3)	(0.1)	(0.3)
Income tax recovery	(0.2)	(0.6)	(0.1)	(0.2)	(0.5)	(0.8)	(2.6)
Adjusted EBITDA	\$ 0.7	\$ (1.1)	\$ 0.6	\$ 1.7	\$ (1.7)	\$ (0.4)	\$ (4.6)

The reconciling items between net income or loss and Adjusted Net Income or Loss were as follows:

	Quarter ended					Six months ended	
	Q2	Q1	Q4	Q3	Q2	March	March
	2024	2024	2023	2023	2023	31,	31,
						2024	2023
Net income (loss)	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ (2.6)	\$ (1.5)	\$ (7.2)
Stock-based compensation expense	0.4	0.8	0.3	0.3	0.3	1.2	0.8
Amortization of intangibles	0.4	0.4	0.4	0.4	0.4	0.8	0.8
Restructuring expenses	-	-	-	-	0.4	-	1.7
Net foreign exchange (gain) loss	(2.2)	2.0	(1.8)	1.8	0.1	(0.2)	1.1
Loss (gain) on fair value of derivatives	0.1	(0.2)	(0.1)	(0.5)	(0.3)	(0.1)	(0.3)
Related tax effects	0.5	(0.6)	0.4	(0.4)	(0.2)	(0.1)	(0.9)
Adjusted Net Income (Loss)	\$ 1.3	\$ (1.2)	\$ 0.8	\$ 1.0	\$ (1.9)	\$ 0.1	\$ (4.0)

Forward-Looking Information

This Press Release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Words such as "could", "forecast", "target", "may", "will", "would", "expect", "anticipate", "estimate", "intend", "plan", "seek", "believe", "likely" and "predict" and variations of such words and similar expressions are intended to identify such forward-looking information, although

not all forward-looking information contains these identifying words.

The forward-looking information in this Press Release includes statements which reflect the current expectations of management with respect to our business and the industry in which we operate and is based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The forward-looking information reflects management's beliefs based on information currently available to management, including information obtained from third party sources, and should not be read as a guarantee of the occurrence or timing of any future events, performance or results.

The forward-looking information in this Press Release is subject to risks, uncertainties and other factors that are difficult to predict and that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. A comprehensive discussion of the factors which could cause results or events to differ from current expectations can be found in the "Risk Factors" section of our Annual Information Form for the year ended September 30, 2023, which is available on SEDAR+ at www.sedarplus.ca.

Readers are cautioned not to place undue reliance on the forward-looking information, which reflect our expectations only as of the date of this Press Release. Except as required by law, we do not undertake to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

About Real Matters

Real Matters is a leading network management services provider for the mortgage lending and insurance industries. Real Matters' platform combines its proprietary technology and network management capabilities with tens of thousands of independent qualified field professionals to create an efficient marketplace for the provision of mortgage lending and insurance industry services. Our clients include top 100 mortgage lenders in the U.S. and some of the largest banks and insurance companies in Canada. We are a leading independent provider of residential real estate appraisals to the mortgage market and a leading independent provider of title services in the U.S. Headquartered in Markham (ON), Real Matters has principal offices in Buffalo (NY) and Middletown (RI). Real Matters is listed on the Toronto Stock Exchange under the symbol REAL. For more information, visit www.realmatters.com.



Lyne Beauregard

Vice President, Investor Relations and Corporate Communications

Real Matters

lbeauregard@realmatters.com

416.994.5930

Source: Real Matters Inc.

[Image](#)