



## Real Matters Reports Second Quarter 2020 Financial Results and Intention to Renew Its Normal Course Issuer Bid

May 6, 2020

(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, 2020.

"We posted very strong results in the second quarter driven by market share gains, new client additions and a robust U.S. mortgage market. Both our U.S. Appraisal and U.S. Title revenues hit a record high. The significant year-over-year increase in volumes serviced by our U.S. Appraisal and U.S. Title segments generated consolidated Adjusted EBITDA<sup>(A)</sup> of \$14.6 million compared to \$2.8 million in the second quarter of 2019, and consolidated Adjusted EBITDA<sup>(A)</sup> margins increased to 40.6% from 13.8%. We also continued to be active in our normal course issuer bid in the second quarter, purchasing 1.0 million shares at a cost of \$9.8 million, while our cash balance increased to \$89.1 million from \$80.9 million at December 31, 2019," said Real Matters Chief Executive Officer Jason Smith.

"While we continue to monitor the near-term impact COVID-19 is having on the U.S. mortgage market, we believe that the lower interest rate environment, which we entered into prior to this pandemic, has created a significant long-term opportunity for us. We estimate that at least 14.5 million mortgage holders are incentivized to refinance with 30-year mortgage rates at 3.0% to 3.25%, and that it would take the industry approximately two to three years to cycle through this volume. Over the next two quarters, we believe that even with potentially higher unemployment, increased forbearance rates, constraints on non-conforming mortgage product availability and reduced property values, higher demand from eligible refinance candidates will continue to fill lender underwriting capacity. We believe that the ability of lenders to increase their underwriting capacity during COVID-19 remains the most significant hurdle to industry growth," added Smith.

"Our operations are performing well while working remotely and our field professional networks are highly engaged, demonstrating the resilience of our business model and our ability to maintain our competitive advantage in this environment. As we look to the long term, our team remains focused on driving performance to grow market share and launch new clients," concluded Smith.

<b>Q2 2020 Key Performance Indicators</b>	<b>U.S. Appraisal</b>	<b>U.S. Title</b>	<b>Consolidated</b>
Market Adjusted Growth	18.5%	145.5%	NA
Revenues	\$71.3 million	\$30.8 million	\$109.6 million
Revenue Growth	65.4%	108.3%	73.3%
Net Revenue <sup>(A)</sup> Growth	64.0%	104.9%	79.0%
Adjusted EBITDA <sup>(A)</sup> Margin	59.5%	41.3%	40.6%

### Q2 2020 Highlights

- Launched one new Top 100 lender in U.S. Appraisal and went live in a new channel with one Top 100 lender
- Went live with three new lenders in U.S. Title
- Market adjusted growth of 18.5% in U.S. Appraisal and 145.5% in U.S. Title
- Purchased 1.0 million shares under our normal course issuer bid ("NCIB") at a cost of \$9.8 million

### Fiscal 2020 Year to Date Highlights

- Went live with two new Top 100 lenders in U.S. Appraisal and went live in new channels with three Top 100 lenders
- Went live with seven new lenders in U.S. Title
- Market adjusted growth of 17.3% in U.S. Appraisal and 150.2% in U.S. Title
- Purchased 1.6 million shares under our NCIB at a cost of \$15.6 million

### Financial and Operational Summary

(millions of dollars)

Three months ended March 31

	2020	Margin	2019	Margin	\$ Change	% Change
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<i>Revenues</i>						
U.S. Appraisal	\$	71.3		\$	43.2	\$ 28.1 65.4%
U.S. Title		30.8			14.8	16.0 108.3%
Canada		7.5			5.3	2.2 40.6%
Consolidated revenues	\$	109.6		\$	63.3	\$ 46.3 73.3%

<i>Net Revenue<sup>(A)</sup></i>						
U.S. Appraisal	\$	17.4	24.4%	\$	10.6	24.6% \$ 6.8 64.0%
U.S. Title		17.2	55.9%		8.4	56.8% 8.8 104.9%
Canada		1.3	17.7%		1.1	20.1% 0.2 23.8%
Consolidated Net Revenue <sup>(A)</sup>	\$	35.9	32.8%	\$	20.1	31.7% \$ 15.8 79.0%

<i>Adjusted EBITDA<sup>(A)</sup></i>						
U.S. Appraisal	\$	10.4	59.5%	\$	4.8	45.1% \$ 5.6 116.5%
U.S. Title		7.1	41.3%		0.8	9.2% 6.3 822.7%
Canada		0.8	58.3%		0.4	40.6% 0.4 77.7%
Corporate		(3.7)			(3.2)	(0.5) -13.2%
Consolidated Adjusted EBITDA <sup>(A)</sup>	\$	14.6	40.6%	\$	2.8	13.8% \$ 11.8 425.8%

<i>Net income (loss)</i>						
Net income (loss)	\$	18.7		\$	(6.8)	\$ 25.5
Net income (loss) per diluted share	\$	0.21		\$	(0.08)	\$ 0.29

<i>Adjusted Net Income<sup>(A)</sup></i>						
Adjusted Net Income <sup>(A)</sup>	\$	11.0		\$	1.0	\$ 10.0
Adjusted Net Income <sup>(A)</sup> per diluted share	\$	0.13		\$	0.01	\$ 0.12

<i>Market adjusted growth</i>						
U.S. Appraisal		18.5%				
U.S. Title		145.5%				

## Financial and Operational Summary (continued)

<i>(millions of dollars)</i>		<b>Six months ended March 31</b>				
		<b>2020</b>	<b>Margin</b>	<b>2019</b>	<b>Margin</b>	<b>\$ Change % Change</b>
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<i>Revenues</i>						
U.S. Appraisal	\$	138.7		\$	82.7	\$ 56.0 67.7%
U.S. Title		59.5			29.8	29.7 100.1%
Canada		15.2			11.3	3.9 34.2%
Consolidated revenues	\$	213.4		\$	123.8	\$ 89.6 72.4%
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<i>Net Revenue<sup>(A)</sup></i>						
U.S. Appraisal	\$	32.9	23.7%	\$	19.6	23.8% \$ 13.3 67.3%
U.S. Title		35.7	60.0%		17.1	57.5% 18.6 108.7%
Canada		2.6	17.4%		2.2	19.2% 0.4 21.7%
Consolidated Net Revenue <sup>(A)</sup>	\$	71.2	33.4%	\$	38.9	31.4% \$ 32.3 82.9%
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<i>Adjusted EBITDA<sup>(A)</sup></i>						
U.S. Appraisal	\$	19.2	58.4%	\$	8.2	41.7% \$ 11.0 134.2%
U.S. Title		15.6	43.6%		1.8	10.6% 13.8 760.1%
Canada		1.5	56.6%		0.9	41.7% 0.6 65.1%
Corporate		(7.1)			(6.4)	(0.7) -10.7%
Consolidated Adjusted EBITDA <sup>(A)</sup>	\$	29.2	40.9%	\$	4.5	11.5% \$ 24.7 548.6%

<i>Net income (loss)</i>					
Net income (loss)	\$	<b>23.8</b>	\$ (2.3)	\$	26.1
Net income (loss) per diluted share	\$	<b>0.27</b>	\$(0.03)	\$	0.30

*Adjusted Net Income<sup>(A)</sup>*

Adjusted Net Income <sup>(A)</sup>	\$	<b>20.3</b>	\$ 2.8	\$	17.5
Adjusted Net Income <sup>(A)</sup> per diluted share	\$	<b>0.23</b>	\$ 0.03	\$	0.20

*Market adjusted growth*

U.S. Appraisal	<b>17.3%</b>
U.S. Title	<b>150.2%</b>

**Impact of COVID-19**

To date, our operations have not experienced any significant adverse impacts as a result of COVID-19. In fact, with interest rates at historical lows, homeowner demand to refinance their mortgages in the U.S. remains high. Most recently, the volume of activity in the U.S. mortgage origination market has shifted to predominantly refinance activity, whereas one year ago, purchase transactions represented the bulk of mortgage activity when refinance transactions were at nearly multi-decade lows. And while it is difficult to accurately predict how the market will perform during the pandemic, our expectation is that purchase market activity will slow in the near term bolstered by continued strength for refinance mortgage origination activity.

We maintain a strong balance sheet to weather the cyclical and seasonal nature of the industry we operate in, and to weather financial shocks and crises like the one COVID-19 is having on the world and the world economy. On March 31, 2020, we had \$89.1 million of cash and cash equivalents on our balance sheet, and today we have access to an additional \$40.0 million through credit facilities available to us.

A more detailed discussion of the potential impacts of COVID-19 on our business can be found in our MD&A for the three and six months ended March 31, 2020.

**Intention to Renew Normal Course Issuer Bid**

We also announced today that, subject to the approval of the Toronto Stock Exchange ("TSX"), the Company intends to renew the current NCIB for a 12-month period commencing June 11, 2020, and ending June 10, 2021. Our Board of Directors has approved the purchase of up to 4.0 million common shares for an aggregate purchase price not to exceed \$50.0 million. If the NCIB is approved by the TSX, purchases will continue to be made through the facilities of the TSX and alternative Canadian trading systems at the prevailing market price at the time of acquisition. We will determine the actual number of common shares purchased under the NCIB and the timing of such purchases.

The Company believes that at times, the prevailing share price for its common shares does not reflect its underlying value such that the repurchase of common shares for cancellation represents an attractive opportunity to return value to the Company's common shareholders. The Company will use the NCIB in conjunction with its capital allocation strategy. All common shares purchased under the NCIB will be cancelled.

Our current NCIB commenced on June 11, 2019, and will expire on June 10, 2020, or earlier if we have acquired 5.0 million common shares. Since the beginning of our current NCIB, we have purchased for cancellation 2.9 million at a weighted average price of C\$11.04. Since the inception of our first NCIB on June 11, 2018, the Company has acquired a total of 7.0 million shares at a weighted average price of C\$7.46.

**Conference Call and Webcast**

A conference call to review the results will take place at 10:00 a.m. (ET) on Wednesday, May 6, 2020, hosted by Chief Executive Officer Jason Smith, President and Chief Operating Officer Brian Lang, and Chief Financial Officer Bill Herman. An accompanying slide presentation will be posted to the Investor Relations section of our website shortly before the call.

To access the call:

- Participant Toll Free Dial-In Number: (833) 247-5856
- Participant International Dial-In Number: (647) 689-4232
- Conference ID: 669709

To listen to the live webcast of the call:

- Go to: <https://event.on24.com/wcc/r/2161155/89A74D53E494560B7D7A830D325F89A6>

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

## **(A) Non-GAAP Measures**

The non-GAAP measures used in this Press Release, including Net Revenue, Adjusted EBITDA and Adjusted Net Income or Loss 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, 2020 available on SEDAR at [www.sedar.com](http://www.sedar.com).

Full reports for Real Matters financial results for the three and six months ended March 31, 2020 are outlined in the unaudited condensed financial statements and the accompanying MD&A, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, supplemental information is available on our website at [www.realmatters.com](http://www.realmatters.com).

## **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, 2019 and under the heading "Important Factors Affecting our Results from Operations" in our MD&A for the three and six months ended March 31, 2020, each of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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 the majority of the top 100 mortgage lenders in the U.S. and some of the largest insurance companies in North America. We are a leading independent provider of residential real estate appraisals to the mortgage market and a leading independent provider of title and mortgage closing services in the U.S. Established in 2004, Real Matters has offices in Buffalo (NY), Denver (CO), Middletown (RI), and Markham (ON). Real Matters is listed on the Toronto Stock Exchange under the symbol

REAL. For more information, visit [www.realmatters.com](http://www.realmatters.com). 

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