



Real Matters Reports Fourth Quarter and Fiscal 2018 Financial Results

November 28, 2018

Announces New Segment Reporting that Separates U.S. Appraisal from U.S. Title and Closing and Updates Outlook

(all amounts are expressed in 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 fourth quarter and fiscal year ended September 30, 2018. The Company also announced that it is changing the reporting of its financial results to three reportable segments: U.S. Appraisal, U.S. Title and Closing ("U.S. Title") and Canada.

"While revenues in our U.S. Appraisal segment were flat year-over-year, we increased our U.S. appraisal market share to 9.0% and recorded 16.4% market adjusted growth on appraisal volumes despite a mortgage originations market that we estimate declined by nearly 13% in fiscal 2018. Our principal focus remains to increase market share, regardless of market conditions, through operational outperformance. In addition to achieving market share growth, our network management model delivered meaningful financial improvements in fiscal 2018: in our U.S. Appraisal segment, we reported a 260 basis point increase in Net Revenue^(A) margins and Adjusted EBITDA^(A) more than doubled. Our U.S. Title segment saw revenues decline 23%, and reported a 15% market adjusted decline in volume, in line with the steep drop in the U.S. mortgage refinance market, combined with lower diversified revenues. We are still in the early innings of growing our title and closing business, and we made headway in 2018 by porting the business to our platform," said Real Matters Chief Executive Officer Jason Smith. "Based on what we've accomplished to date, our existing client base and our pipeline of new opportunities, we are confident that we can achieve 15-20% appraisal market share and 1-3% title and closing market share by 2021."

Q4 2018 Summary Information

- Consolidated revenues down 18%
- Consolidated Net Revenue^(A) of \$19.6 million compared with \$24.0 million in Q4 2017, consolidated Net Revenue^(A) margins of 28.8% compared with 29.0% in Q4 2017
- Consolidated net losses were lower by \$1.3 million
- U.S. Appraisal: market adjusted volume growth of 8.8%, Net Revenue^(A) margins up 110 basis points, Adjusted EBITDA^(A) of \$3.1 million compared with \$3.3 million in Q4 2017
- U.S. Title: market adjusted volume decline of 20.3%, Net Revenue^(A) margins up 130 basis points, Adjusted EBITDA^(A) of \$1.9 million compared with \$2.4 million in Q4 2017
- Persistent U.S. mortgage market headwinds – estimated market decline of 15%
- Went live in new channels with two top 100 lenders and launched two new clients in U.S. Appraisal
- Went live with two new clients – including first Tier 2 lender, and cross sold two existing appraisal clients in U.S. Title

Fiscal 2018 Summary Information

- Consolidated revenues down 7% as a result of lower U.S. title and closing revenues
- Consolidated Net Revenue^(A) of \$82.8 million compared with \$92.3 million in fiscal 2017, consolidated Net Revenue^(A) margins of 29.4% compared with 30.5% in fiscal 2017
- Consolidated net losses were lower by \$19.8 million
- U.S. Appraisal: market share increased to 9.0% from 7.7% in fiscal 2017, Net Revenue^(A) margins up 260 basis points, Adjusted EBITDA^(A) increased to \$11.7 million from \$5.7 million
- U.S. Title: market share decreased to 0.6% from 0.7% in fiscal 2017, Net Revenue^(A) margins down 320 basis points, Adjusted EBITDA^(A) decreased to \$6.2 million from \$13.7 million in fiscal 2017

- Estimated U.S. mortgage market decline of 13%
- Initiated normal course issuer bid and repurchased approximately 758,000 shares

New Segment Reporting

To aid investors with the transition to the new segment reporting, the Company has provided historical quarterly financial disclosure for the periods from October 1, 2016 through June 30, 2018, which are included below and available in the Investors section of the Real Matters website at www.realmatters.com.

<i>(millions of dollars)</i>	Three months ended September 30			
	2018	2017	\$ Change	% Change
Revenues				
U.S. Appraisal	\$ 46.4	\$ 53.7	\$ (7.3)	-13.6%
U.S. Title	14.5	20.5	(6.0)	-29.3%
Canada	7.1	8.7	(1.6)	-18.4%
Consolidated revenues	\$ 68.0	\$ 82.9	\$ (14.9)	-18.0%
Net loss	\$ (2.5)	\$ (3.8)	\$ 1.3	
Net loss per diluted share	\$(0.03)	\$(0.04)	\$ 0.01	
<i>Non-GAAP measures</i>				
Net Revenue ^(A)	\$ 19.6	\$ 24.0	\$ (4.4)	-18.5%
Net Revenue ^(A) margin	28.8%	29.0%	-0.2%	
Adjusted EBITDA ^(A)	\$ 2.1	\$ 2.9	\$ (0.8)	
Adjusted EBITDA ^(A) margin	11.0%	12.1%	-1.1%	
Adjusted Net Income ^(A)	\$ 1.6	\$ 0.7	\$ 0.9	
Adjusted Net Income ^(A) per diluted share	\$ 0.02	\$ 0.01	\$ 0.01	

<i>(millions of dollars)</i>	Year ended September 30			
	2018	2017	\$ Change	% Change
Revenues				
U.S. Appraisal	\$186.5	\$186.4	\$ 0.1	0.1%
U.S. Title	65.2	84.9	(19.7)	-23.2%
Canada	29.8	31.7	(1.9)	-6.0%
Consolidated revenues	\$281.5	\$303.0	\$ (21.5)	-7.1%
Net loss	\$ (4.0)	\$ (23.8)	\$ 19.7	
Net loss per diluted share	\$(0.05)	\$(0.30)	\$ 0.25	
<i>Non-GAAP measures</i>				
Net Revenue ^(A)	\$ 82.8	\$ 92.3	\$ (9.5)	-10.3%
Net Revenue ^(A) margin	29.4%	30.5%	-1.1%	
Adjusted EBITDA ^(A)	\$ 5.8	\$ 9.4	\$ (3.6)	
Adjusted EBITDA ^(A) margin	7.0%	10.2%	-3.2%	
Adjusted Net Income ^(A)	\$ 6.7	\$ 2.8	\$ 4.0	
Adjusted Net Income ^(A) per diluted share	\$ 0.07	\$ 0.03	\$ 0.04	

Updated Outlook

The Company today reiterated the following fiscal 2021 objectives:

- 15% - 20% market share in U.S. Appraisals
- 1% - 3% market share in U.S. Title

- Net Revenue^(A) margins of 35% - 40% (as a percentage of revenues)
- Adjusted EBITDA^(A) margins of 25% - 30% (as a percentage of Net Revenue^(A))

While the Company's original estimate of the market was reasonable at the time it was made, it believes the market underperformed its original estimate through fiscal 2018. A reasonable estimate of the market is required to derive revenue growth, and the Company believes that in combination with recent market volatility and the market's underperformance, that there is no sufficiently precise or accurate means of forecasting it. Further, the pace of growth in the Company's U.S. Title segment has been slower than originally expected. For these reasons, the Company has decided to withdraw its compound annual growth rate ("CAGR") target for revenues.

For more details please also refer to the "Strategy and Outlook" section of Management's Discussion and Analysis ("MD&A") for the year ended September 30, 2018.

Near-Term Outlook

The Company expects first quarter consolidated revenues and Net Revenue^(A) will decline compared to the fourth quarter of fiscal 2018, reflecting its expectations for seasonality and continued mortgage market weakness, net of market share gains and new client additions. The Company anticipates consolidated Net Revenue^(A) margins will improve compared to the fourth quarter of fiscal 2018 due to revenue mix and the Company's continued focus on expanding Net Revenue^(A) margins.

Webcast

The review of Real Matters' Q4 and Fiscal 2018 financial results and investor day will be webcast live starting at 9:00 a.m. (ET) on Wednesday, November 28, 2018. The accompanying slide presentations will be posted to the Investor Relations section of our website shortly before the event begins.

To listen to the live webcast:

- Go to: <https://event.on24.com/wcc/r/1821424/2E12E4ED786928BF33EB2B3117F44BF1>

The webcast will be archived and available in the Investor Relations section of our website following the live event.

Re-segmented results

(all amounts are expressed in thousands)

Fiscal 2018

	Q1	Q2	Q3	Q4	Total
Revenue					
U.S. Appraisal	\$47,033	\$42,936	\$50,129	\$46,366	\$186,464
U.S. Title	19,393	16,327	14,995	14,505	65,220
Canada	7,444	6,806	8,399	7,118	29,767
Total	\$73,870	\$66,069	\$73,523	\$67,989	\$281,451
Transaction costs					
U.S. Appraisal	\$38,052	\$33,560	\$39,636	\$36,839	\$148,087
U.S. Title	7,229	6,501	6,683	5,697	26,110
Canada	6,104	5,524	6,968	5,890	24,486
Total	\$51,385	\$45,585	\$53,287	\$48,426	\$198,683
Operating expenses					
U.S. Appraisal	\$ 6,792	\$ 6,859	\$ 6,607	\$ 6,457	\$ 26,715
U.S. Title	9,002	8,736	8,270	6,929	32,937
Canada	709	629	731	651	2,720
Corporate	3,875	4,286	4,424	3,723	16,308
Total	\$20,378	\$20,510	\$20,032	\$17,760	\$ 78,680
Amortization					
U.S. Appraisal	\$ 1,183	\$ 1,179	\$ 659	\$ 424	\$ 3,445
U.S. Title	4,025	4,012	4,000	3,994	16,031
Canada	-	-	-	-	-
Corporate	108	76	70	60	314
Total	\$ 5,316	\$ 5,267	\$ 4,729	\$ 4,478	\$ 19,790

Non-GAAP measures

Net Revenue (A)

U.S. Appraisal	\$ 8,981	\$ 9,376	\$10,493	\$ 9,527	\$ 38,377
U.S. Title	12,164	9,826	8,312	8,808	39,110
Canada	1,340	1,282	1,431	1,228	5,281
Total	\$22,485	\$20,484	\$20,236	\$19,563	\$ 82,768

Net Revenue (A) margin

U.S. Appraisal	19.1%	21.8%	20.9%	20.5%	20.6%
U.S. Title	62.7%	60.2%	55.4%	60.7%	60.0%
Canada	18.0%	18.8%	17.0%	17.3%	17.7%
Total	30.4%	31.0%	27.5%	28.8%	29.4%

Adjusted EBITDA (A)

U.S. Appraisal	\$ 2,189	\$ 2,517	\$ 3,886	\$ 3,070	\$ 11,662
U.S. Title	3,162	1,090	42	1,879	6,173
Canada	631	653	700	577	2,561
Corporate	(3,591)	(3,948)	(3,680)	(3,384)	(14,603)
Total	\$ 2,391	\$ 312	\$ 948	\$ 2,142	\$ 5,793

Adjusted EBITDA (A) margin

U.S. Appraisal	24.4%	26.8%	37.0%	32.2%	30.4%
U.S. Title	26.0%	11.1%	0.5%	21.3%	15.8%
Canada	47.1%	50.9%	48.9%	47.0%	48.5%
Total	10.6%	1.5%	4.7%	10.9%	7.0%

Re-segmented results - continued

(all amounts are expressed in thousands)

Fiscal 2017

	Q1	Q2	Q3	Q4	Total
Revenue					
U.S. Appraisal	\$45,877	\$38,444	\$48,359	\$53,700	\$186,380
U.S. Title	25,875	19,149	19,305	20,533	84,862
Canada	7,142	6,925	9,008	8,659	31,734
Total	\$78,894	\$64,518	\$76,672	\$82,892	\$302,976
Transaction costs					
U.S. Appraisal	\$38,566	\$32,680	\$38,390	\$43,261	\$152,897
U.S. Title	8,423	7,189	7,270	8,340	31,222
Canada	5,888	5,734	7,679	7,262	26,563
Total	\$52,877	\$45,603	\$53,339	\$58,863	\$210,682
Operating expenses					
U.S. Appraisal	\$ 6,654	\$ 6,708	\$ 7,252	\$ 7,131	\$ 27,745
U.S. Title	10,496	10,148	9,533	9,800	39,977
Canada	705	665	727	789	2,886
Corporate	2,667	3,270	6,104	3,762	15,803
Total	\$20,522	\$20,791	\$23,616	\$21,482	\$ 86,411
Amortization					
U.S. Appraisal	\$ 1,131	\$ 1,133	\$ 1,133	\$ 1,184	\$ 4,581
U.S. Title	3,848	4,043	4,040	4,027	15,958
Canada	-	-	-	-	-
Corporate	219	190	156	137	702
Total	\$ 5,198	\$ 5,366	\$ 5,329	\$ 5,348	\$ 21,241

Non-GAAP measures

Net Revenue ^(A)

U.S. Appraisal	\$ 7,311	\$ 5,764	\$ 9,969	\$10,439	\$ 33,483
U.S. Title	17,452	11,960	12,035	12,193	53,640
Canada	1,254	1,191	1,329	1,397	5,171
Total	\$26,017	\$18,915	\$23,333	\$24,029	\$ 92,294

Net Revenue ^(A) margin

U.S. Appraisal	15.9%	15.0%	20.6%	19.4%	18.0%
U.S. Title	67.4%	62.5%	62.3%	59.4%	63.2%
Canada	17.6%	17.2%	14.8%	16.1%	16.3%
Total	33.0%	29.3%	30.4%	29.0%	30.5%

Adjusted EBITDA ^(A)

U.S. Appraisal	\$ 657	\$ (944)	\$ 2,717	\$ 3,308	\$ 5,738
U.S. Title	6,956	1,812	2,502	2,393	13,663
Canada	549	526	602	608	2,285
Corporate	(2,667)	(3,217)	(3,029)	(3,393)	(12,306)
Total	\$ 5,495	\$ (1,823)	\$ 2,792	\$ 2,916	\$ 9,380

Adjusted EBITDA ^(A) margin

U.S. Appraisal	9.0%	-16.4%	27.3%	31.7%	17.1%
U.S. Title	39.9%	15.2%	20.8%	19.6%	25.5%
Canada	43.8%	44.2%	45.3%	43.5%	44.2%
Total	21.1%	-9.6%	12.0%	12.1%	10.2%

(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 year ended September 30, 2018, available on SEDAR at www.sedar.com.

Full reports for Real Matters financial results for the year ended September 30, 2018 are outlined in the annual consolidated financial statements and the related MD&A of the Company, which are available on SEDAR at www.sedar.com. In addition, supplemental information is available on our website at 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, 2017 and under the heading "Important Factors Affecting Results from Operations" in our MD&A for the year ended September 30, 2018, each of which is available on SEDAR at 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 more than 60 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.

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