



Real Matters Reports First Quarter 2018 Financial Results

January 30, 2018

Delivers 19% market adjusted revenue growth
(all amounts are expressed in U.S. dollars 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 first quarter ended December 31, 2017.

"We were very pleased with our performance in the first quarter," said Real Matters Chief Executive Officer Jason Smith. "We generated consolidated revenues of \$73.9 million which represented strong organic growth of 19% on a market adjusted basis. Appraisals and ancillary services delivered market adjusted revenue growth of 28% driven by our year-over-year market share gains, and the title and closing business grew organically with market adjusted revenue growth of 4%. We also recorded Net Revenue^(A) margin expansion on a sequential basis."

"The first quarter of fiscal 2017 was a peak quarter for rate refinance originations, which declined an estimated 50% since that time, making it a tough comparison. The U.S. mortgage origination market continues to be very healthy, fueled in part by a steadily growing purchase market. Higher interest rates resulting in lower mortgage refinancing transactions have contributed to a more normalized market since the second quarter of fiscal 2017 – and we've seen that come across in our results since that time," added Smith.

"We are on track with our appraisal market share goals for 2018 - and out to 2021. We signed two new Tier 2 appraisal clients in the first quarter, which have since gone live. We have also progressed our title and closing pipeline within Top 100 lenders, making us confident in our ability to achieve our 2018 objectives for title and closing," concluded Smith.

Q1 2018 Financial Highlights

- Consolidated revenues of \$73.9 million compared with \$78.9 million in Q1 2017
- Net Revenue^(A) of \$22.5 million, compared with \$26.0 million in Q1 2017
- Net Revenue^(A) margins (as a percentage of consolidated revenues) of 30.4% from 33.0% in Q1 2017
- Adjusted EBITDA^(A) of \$2.4 million compared with \$5.5 million in Q1 2017
- Net loss of \$5.4 million or (\$0.06) per diluted share, compared with a net loss of \$2.3 million or (\$0.03) per diluted share in Q1 2017
- Adjusted Net Income^(A) of \$1.3 million or \$0.01 per diluted share, compared with Adjusted Net Income^(A) of \$1.9 million or \$0.02 per diluted share in Q1 2017

Consolidated revenues were down 6.4% to \$73.9 million due to a \$5.5 million decline in title and closing revenues, which was partially offset by an increase in appraisal and ancillary revenues. U.S. revenues were down 7.4% to \$66.4 million from the first quarter of 2017 principally as a result of the decline in title and closing which was partially offset by organic growth in appraisal volumes from market share gains with new and existing clients. The decline in the refinance mortgage originations market had a significant impact on the Company's title and closing revenues in the first quarter of fiscal 2018 due to its high correlation to refinance related volumes. U.S. segment revenues represented 90% of consolidated revenues in Q1 2018. Revenues in Canada increased 4.2% to \$7.4 million the first quarter of 2018 due to higher appraisal volumes and foreign exchange net of lower market activity.

Net Revenue^(A) decreased to \$22.5 million from \$26.0 million in Q1 2017, and Net Revenue^(A) margins decreased to 30.4% from 33.0% in Q1 2017 due to changes in revenue mix between appraisal and title and closing, as well as changes in the product mix within each of those services lines.

Adjusted EBITDA^(A) decreased to \$2.4 million from \$5.5 million in Q1 2017 due to a significant decline in the residential mortgage originations market, specifically for refinance mortgage activity, the mix of business, and higher public company costs.

(tabular amounts are expressed in thousands of U.S. dollars, unless otherwise stated)

	Three months ended	
	December 31, 2017	December 31, 2016
Consolidated Statement of Operations		
Revenues	\$ 73,870	\$ 78,894
Transaction costs	51,385	52,877
Operating expenses	20,378	20,522
Acquisition and IPO (recovery) costs	(7)	421
Integration expenses	50	-
Amortization	5,316	5,198
Interest expense	156	254
Interest income	(106)	-
Net foreign exchange gain	(642)	(3,741)
(Gain) loss on fair value of warrants	(767)	4,505
Re-measurement gain on previously held equity method investment	(499)	-
Net income from equity accounted investees	-	(105)
Loss before income tax expense	(1,394)	(1,037)
Net income tax expense	3,995	1,248
Net loss	\$ (5,389)	\$ (2,285)
Net Revenue^(A)	\$ 22,485	\$ 26,017
Adjusted EBITDA^(A)	\$ 2,391	\$ 5,495
Adjusted Net Income^(A)	\$ 1,256	\$ 1,896

Note (A) - Net Revenue, Adjusted EBITDA and Adjusted Net Income are Non-GAAP measures. See note A below.

Revenue by geography and service type

	Three months ended December 31, 2017				Three months ended December 31, 2016			
	U.S.	Percent- age of revenues	Canada - expressed in thousands of Canadian dollars	Percent- age of revenues	U.S.	Percent- age of revenues	Canada - expressed in thousands of Canadian dollars	Percent- age of revenues
Appraisal and ancillary	\$49,935	75.2%	\$ 8,230	87.0%	\$49,706	69.3%	\$ 8,259	86.7%
Title and closing	16,155	24.3%	-	-%	21,679	30.2%	-	-%
Other	336	0.5%	1,235	13.0%	367	0.5%	1,268	13.3%
Revenues	\$66,426	100.0%	\$ 9,465	100.0%	\$71,752	100.0%	\$ 9,527	100.0%

Outlook

Please refer to the Strategy and Outlook section of Management's Discussion and Analysis ("MD&A") for the first quarter ended December 31, 2017.

Conference Call and Webcast

A conference call to review the results will take place at 10 a.m. (ET) on Tuesday, January 30, 2018, hosted by Chief Executive Officer Jason Smith 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: (866) 393-4306
- Participant International Dial-In Number: (734) 385-2616
- Conference ID: 4699024

To listen to the live webcast of the call:

- Go to: <https://event.on24.com/wcc/r/1552317/731BAA0ED0090DBA01AAEFA6607E35FF>

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

Real Matters prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). However, the Company considers certain non-GAAP financial measures as useful additional information in measuring its financial performance and condition. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating our performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include "Adjusted EBITDA", "Net Revenue" and "Adjusted Net Income or Loss". See "Non-GAAP measures" in Real Matters' MD&A for the quarters ended December 31, 2017 and 2016 for a more complete description of these terms.

Adjusted EBITDA

	Three months ended December 31	
	2017	2016
Net loss	\$ (5,389)	\$ (2,285)
Stock-based compensation expense	284	-
Acquisition and IPO (recovery) costs	(7)	421
Integration expenses	50	-
Amortization	5,316	5,198
Interest expense	156	254
Interest income	(106)	-
Net foreign exchange gain	(642)	(3,741)
(Gain) loss on fair value of warrants	(767)	4,505
Re-measurement gain on previously held equity method investment	(499)	-
Net income from equity accounted investees	-	(105)
Income tax expense	3,995	1,248
Adjusted EBITDA	\$ 2,391	\$ 5,495

Management typically calculates Adjusted EBITDA as follows:

	Three months ended December 31	
	2017	2016
Revenues	\$ 73,870	\$ 78,894
Less: Transaction costs	51,385	52,877
Less: Operating expenses	20,378	20,522
Add: Stock-based compensation expense	284	-
Adjusted EBITDA	\$ 2,391	\$ 5,495

Net Revenue

	Three months ended December 31	
	2017	2016
Net loss	\$ (5,389)	\$ (2,285)
Operating expenses	20,378	20,522
Acquisition and IPO (recovery) costs	(7)	421
Integration expenses	50	-
Amortization	5,316	5,198
Interest expense	156	254
Interest income	(106)	-
Net foreign exchange gain	(642)	(3,741)
(Gain) loss on fair value of warrants	(767)	4,505

Re-measurement gain on previously held equity method investment	(499)	-
Net income from equity accounted investees	-	(105)
Income tax expense	3,995	1,248
Net Revenue	\$ 22,485	\$ 26,017

Management typically calculates Net Revenue as follows:

	Three months ended December 31	
	2017	2016
Revenues	\$ 73,870	\$ 78,894
Less: Transaction costs	51,385	52,877
Net Revenue	\$ 22,485	\$ 26,017

Adjusted Net Income

	Three months ended December 31	
	2017	2016
Net loss	\$ (5,389)	\$ (2,285)
Stock-based compensation expense	284	-
Acquisition and IPO (recovery) costs	(7)	421
Integration expenses	50	-
Amortization of intangibles	4,890	4,814
Net foreign exchange gain	(642)	(3,741)
(Gain) loss on fair value of warrants	(767)	4,505
Re-measurement gain on previously held equity method investment	(499)	-
Related tax effects	(1,371)	(1,818)
Impact of the statutory income tax rate change (U.S. tax reform)	4,707	-
Adjusted Net Income	\$ 1,256	\$ 1,896
Weighted average number of shares outstanding (thousands), diluted	92,084	82,760
Adjusted Net Income per share, diluted	\$ 0.01	\$ 0.02

Forward-Looking Statements

This new release contains forward-looking statements that relate to our current expectations and views of future events including with respect to future market share and future results. In some cases, these forward-looking statements can be identified by words or phrases such as “forecast”, “target”, “goal”, “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict”, or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements.

We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe might affect our financial condition, results of operations, business strategy and financial needs. A comprehensive discussion of the risks that impact Real Matters and these forward-looking statements can be found in the Annual Information Form dated December 27, 2017 available on SEDAR at www.sedar.com. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described under the heading “Important Factors Affecting Results from Operations” outlined in the Strategy and Outlook section of the Company’s MD&A for the quarters ended December 31, 2017 and 2016.

Real Matters cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Information contained in forward-looking statements in this news release is provided as of the date of this news release and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

About Real Matters

Real Matters is a leading network management services provider for the \$16 billion mortgage lending and insurance industries. Real Matters' platform combines its proprietary technology and network management capabilities with tens of thousands of independent qualified field agents 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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