



## Real Matters Reports Fourth Quarter and Fiscal 2017 Financial Results

November 28, 2017

### *Appraisal Market Share Up 30%*

(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 fourth quarter and year ended September 30, 2017.

"This was a landmark year for Real Matters on many fronts – we launched two of the largest Tier 1 lenders in the U.S., expanded our platform into the title and closing industry and went public in May. Overall, our business grew substantially despite significant market headwinds in 2017, and we are very pleased with our organic growth. Our appraisal market share was up 30% in 2017 and we ended the year with 6.5% market share – led by significant gains with our Tier 1 lender clients. Our title and closing market share increased 17% despite the significant decline in the refinance origination market," said Real Matters Chief Executive Officer Jason Smith.

"We continue to drive forward with our strategy to leverage our network management platform in our title and closing business which represents a tremendous long-term growth opportunity for us. We have a strong base of franchise clients from which to grow revenues and market share, and we are on track to achieve our long-term objectives," added Smith.

### **Fiscal Year 2017 Financial Highlights**

- Consolidated revenues of \$303.0 million, up 22% from \$248.5 million in 2016
- Net Revenue<sup>(A)</sup> of \$92.3 million, up 35% from \$68.3 million in 2016
- Net Revenue<sup>(A)</sup> margins (as a percentage of consolidated revenues) increased to 30.5% from 27.5% in 2016
- Adjusted EBITDA<sup>(A)</sup> of \$9.4 million compared with \$12.8 million in 2016
- Adjusted Net Income<sup>(A)</sup> per share (diluted) of \$0.03 compared with \$0.08 in 2016

Consolidated revenues increased 22% to \$303.0 million in 2017 as a result of acquisitions and solid organic growth. Linear Title & Closing Ltd. ("Linear"), which was acquired in April 2016, contributed \$37.8 million to the year-over-year increase in revenues. Despite significant mortgage origination market headwinds, we generated consolidated organic revenue growth in 2017 due to higher transaction volumes from additional market share with new and existing clients in our appraisal and title and closing service lines.

Excluding acquisitions, U.S. revenues were up \$18.0 million from 2016 due to organic growth in appraisal volumes from market share gains with existing clients and new client volumes. The significant year-over-year decline in the refinance mortgage origination market had a significant impact on the Company's title and closing revenues in 2017 due to this service line's high correlation to refinance related volumes. U.S. segment revenues represented approximately 90% of consolidated revenues in 2017.

Revenues in Canada increased 4.8% to \$31.7 million in 2017. The Company managed higher appraisal volumes as a result of increased market share and foreign currency exchange ("FX") contributed 1.0% to the increase. Canadian segment revenues represented approximately 10% of consolidated revenues in 2017.

Net Revenue<sup>(A)</sup> increased to \$92.3 million from \$68.3 million in fiscal 2016, and Net Revenue<sup>(A)</sup> margins increased to 30.5% from 27.5% in 2016, principally due to acquisitions, a change in revenue mix and lower transaction costs to service organic appraisal revenue growth. In 2017, the Company onboarded and deployed its platform with several new appraisal clients, including Tier 1 mortgage lenders in the U.S., which resulted in higher transaction costs in the first half of 2017. These increases were partially offset by margin improvements from lower appraisal costs to service organic growth in the second half of 2017. As Real Matters continues to build market share with clients, the Company expects to continue to leverage its platform to lower transaction costs as a percentage of revenues and improve margins over the long term.

Adjusted EBITDA<sup>(A)</sup> decreased to \$9.4 million from \$12.8 million in fiscal 2016, due primarily to corporate operating expenses increasing by \$2.1 million (net of stock-based compensation expense), reflecting higher public company costs.

## Fourth Quarter 2017 Financial Highlights

- Consolidated revenues of \$82.9 million, up from \$81.0 million in Q4 2016
- Net Revenue<sup>(A)</sup> of \$24.0 million compared with \$25.0 million in Q4 2016
- Net Revenue<sup>(A)</sup> margins (as a percentage of consolidated revenues) of 29.0% compared with 30.8% in Q4 2016
- Adjusted EBITDA<sup>(A)</sup> of \$2.9 million compared with \$5.3 million in Q4 2016
- Adjusted Net Income<sup>(A)</sup> per share (diluted) of \$0.01 compared with \$0.04 in Q4 2016

Real Matters generated consolidated revenues of \$82.9 million in Q4 2017, up \$1.9 million or 2.4%, as organic growth in U.S. appraisal and title and closing revenues were partially offset by a significant decline in the mortgage origination market. U.S. appraisal and ancillary revenues increased 9.2% to \$57.1 million in Q4 2017 from \$52.3 million in Q4 2016 due to significant market share gains and volume from new clients, partially offset by a decline of \$3.1 million in title and closing revenues due to the significant decline in the mortgage refinance activity.

Fourth quarter revenues in Canada declined 1.1% to \$8.7 million due to modestly lower appraisal volumes from a decline in Canadian market activity.

Net Revenue<sup>(A)</sup> decreased to \$24.0 million from \$25.0 million in Q4 2016, and Net Revenue<sup>(A)</sup> margins were 29.0% compared to 30.8%. The decline in Net Revenue<sup>(A)</sup> margins was due to a higher proportion of appraisal revenues relative to title and closing revenues, lower margin service revenues earned in the title and closing service line, and the transition of certain title and closing services to a network managed business model. These factors were partially offset by lower transaction costs to service organic appraisal revenue growth.

Fourth quarter Adjusted EBITDA<sup>(A)</sup> decreased to \$2.9 million from \$5.3 million in Q4 2016 in line with the decline in Net Revenue<sup>(A)</sup>, as well as increased U.S. and corporate operating expenses of \$1.2 million (net of stock-based compensation expense), of which \$0.8 million reflected higher payroll and professional fees, including legal, accounting and advisory fees.

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

	Three months ended		Year ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Consolidated Statement of Operations</b>				
Revenues	\$ 82,892	\$ 80,983	\$ 302,976	\$ 248,547
Transaction costs	58,863	56,030	210,682	180,247
Operating expenses	21,482	19,669	86,411	55,476
Acquisition and Initial Public Offering ("IPO") (recovery) costs	(1,151)	485	1,609	3,005
Amortization	5,348	5,853	21,241	14,001
Impairment of assets	-	-	5,096	-
Interest expense	160	222	889	687
Interest income	(116)	(5)	(139)	(20)
Net foreign exchange loss (gain)	3,076	(3,538)	3,390	(2,841)
(Gain) loss on fair value of warrants	(281)	22	5,011	5,437
Re-measurement loss on previously held equity method investment	-	-	976	-
Net income from equity accounted investees	(104)	(139)	(18)	(475)
(Loss) income before income tax (recovery) expense	(4,385)	2,384	(32,172)	(6,970)
Net income tax (recovery) expense	(563)	750	(8,403)	(891)
Net (loss) income	\$ (3,822)	\$ 1,634	\$ (23,769)	\$ (6,079)
<b>Net Revenue<sup>(A)</sup></b>	<b>\$ 24,029</b>	<b>\$ 24,953</b>	<b>\$ 92,294</b>	<b>\$ 68,300</b>
<b>Adjusted EBITDA<sup>(A)</sup></b>	<b>\$ 2,916</b>	<b>\$ 5,284</b>	<b>\$ 9,380</b>	<b>\$ 12,824</b>
<b>Adjusted Net Income<sup>(A)</sup></b>	<b>\$ 717</b>	<b>\$ 3,126</b>	<b>\$ 2,763</b>	<b>\$ 5,972</b>

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

*Revenue by geography and service type*

	Three months ended September 30, 2017				Three months ended September 30, 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	\$57,062	76.9%	\$ 9,727	89.2%	\$52,268	72.4%	\$ 10,174	88.8%
Title and closing	16,768	22.6%	-	-%	19,818	27.4%	-	-%
Other	403	0.5%	1,178	10.8%	145	0.2%	1,281	11.2%
Revenues	\$74,233	100.0%	\$ 10,905	100.0%	\$72,231	100.0%	\$ 11,455	100.0%

	Year ended September 30, 2017				Year ended September 30, 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	\$200,168	73.8%	\$ 36,970	88.7%	\$181,036	83.0%	\$ 35,348	88.0%
Title and closing	69,500	25.6%	-	-%	36,935	16.9%	-	-%
Other	1,574	0.6%	4,714	11.3%	296	0.1%	4,802	12.0%
Revenues	\$271,242	100.0%	\$ 41,684	100.0%	\$218,267	100.0%	\$ 40,150	100.0%

## Outlook

Please refer to the Strategy and Outlook section of Management's Discussion and Analysis ("MD&A") for the year ended September 30, 2017.

## Conference Call and Webcast

A conference call to review the results will take place at 10 a.m. (ET) on Tuesday, November 28, 2017, 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: (844) 579-6824
- Participant International Dial-In Number: (734) 385-2616
- Conference ID: 6798028

To listen to the live webcast of the call:

- Go to: <https://event.on24.com/wcc/r/1470728/88056971370754C198444525C519B0D4>

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 years ended September 30, 2017 and 2016 for a more complete description of these terms.

Adjusted EBITDA

	2017	2016	2017	2016
Net (loss) income	\$ (3,822)	\$ 1,634	\$ (23,769)	\$ (6,079)
Stock-based compensation expense	369	-	3,497	-
Acquisition and IPO (recovery) costs	(1,151)	485	1,609	3,005
Amortization	5,348	5,853	21,241	14,001
Impairment of assets	-	-	5,096	-
Interest expense	160	222	889	687
Interest income	(116)	(5)	(139)	(20)
Net foreign exchange loss (gain)	3,076	(3,538)	3,390	(2,841)
(Gain) loss on fair value of warrants	(281)	22	5,011	5,437
Re-measurement loss on previously held equity method investment	-	-	976	-
Net income from equity accounted investees	(104)	(139)	(18)	(475)
Income tax (recovery) expense	(563)	750	(8,403)	(891)
Adjusted EBITDA	\$ 2,916	\$ 5,284	\$ 9,380	\$ 12,824

Management typically calculates Adjusted EBITDA as follows:

	Three months ended September 30		Year ended September 30	
	2017	2016	2017	2016
Revenues	\$ 82,892	\$ 80,983	\$ 302,976	\$ 248,547
Less: Transaction costs	58,863	56,030	210,682	180,247
Less: Operating expenses	21,482	19,669	86,411	55,476
Add: Stock-based compensation expense	369	-	3,497	-
Adjusted EBITDA	\$ 2,916	\$ 5,284	\$ 9,380	\$ 12,824

Net Revenue

	Three months ended September 30		Year ended September 30	
	2017	2016	2017	2016
Net (loss) income	\$ (3,822)	\$ 1,634	\$ (23,769)	\$ (6,079)
Operating expenses	21,482	19,669	86,411	55,476
Acquisition and IPO (recovery) costs	(1,151)	485	1,609	3,005
Amortization	5,348	5,853	21,241	14,001
Impairment of assets	-	-	5,096	-
Interest expense	160	222	889	687
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Re-measurement loss on previously held equity method investment	-	-	976	-
Net income from equity accounted investees	(104)	(139)	(18)	(475)
Income tax (recovery) expense	(563)	750	(8,403)	(891)
Net Revenue	\$ 24,029	\$ 24,953	\$ 92,294	\$ 68,300

Management typically calculates Net Revenue as follows:

	Three months ended September 30		Year ended September 30	
	2017	2016	2017	2016
Revenues	\$ 82,892	\$ 80,983	\$ 302,976	\$ 248,547
Less: Transaction costs	58,863	56,030	210,682	180,247
Net Revenue	\$ 24,029	\$ 24,953	\$ 92,294	\$ 68,300

## Adjusted Net Income

	Three months ended September 30		Year ended September 30	
	2017	2016	2017	2016
Net (loss) income	\$ (3,822)	\$ 1,634	\$ (23,769)	\$ (6,079)
Stock-based compensation expense	369	-	3,497	-
Acquisition and IPO (recovery) costs	(1,151)	485	1,609	3,005
Amortization of intangibles	4,918	5,483	19,649	12,839
Impairment of assets	-	-	5,096	-
Net foreign exchange loss (gain)	3,076	(3,538)	3,390	(2,841)
(Gain) loss on fair value of warrants	(281)	22	5,011	5,437
Re-measurement loss on previously held equity method investment	-	-	976	-
Related tax effects	(2,392)	(960)	(12,696)	(6,389)
<b>Adjusted Net Income</b>	<b>\$ 717</b>	<b>\$ 3,126</b>	<b>\$ 2,763</b>	<b>\$ 5,972</b>
Weighted average number of shares outstanding (thousands) basic	87,370	75,128	80,280	64,489
Weighted average number of shares outstanding (thousands) diluted	92,182	82,245	85,092	76,606
Adjusted Net Income per weighted average share, basic	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.09
Adjusted Net Income per weighted average share, diluted	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.08

## 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, transaction volumes and improved margins. 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 can be found in the Company's Final Long Form Prospectus dated May 5, 2017, and the most recently filed MD&A for the years ended September 30, 2017 and 2016 available on SEDAR at [www.sedar.com](http://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 years ended September 30, 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 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 serve the mortgage industry through the Solidifi brand, and the property and casualty insurance industry through the iv3 brand. Solidifi is 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 America. Established in 2004, Real Matters has offices in Buffalo (NY), Cincinnati (OH), 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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Real Matters

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