



Real Matters Reports Second Quarter 2017 Financial Results

May 15, 2017

Market share gains in line with expectations

(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 second quarter ended March 31, 2017.

"We were pleased with our market share gains in the second quarter. We recorded modest organic growth in revenues quarter-over-quarter which exceeded U.S. mortgage origination market performance. We continue to gain traction with the roll out of a number of our Tier 1 clients which we launched over the last 18 months, and are being awarded more business from our clients as result of the performance advantages that our network management platform delivers. Our title and closing business also delivered growth in the second quarter through new client relationships and organic market share gains," said Real Matters Chief Executive Officer, Jason Smith. "Notwithstanding changes in the U.S. mortgage origination market going forward, we expect to expand market share with our clients."

Second Quarter 2017 Financial Highlights

- Consolidated revenues up 39% to \$64.5 million from \$46.4 million in Q2 2016
- Net Revenue^(A) up 87% to \$18.9 million from \$10.1 million in Q2 2016
- Net Revenue^(A) margins, expressed as a percentage of consolidated revenues, increased to 29% from 22% in Q2 2016
- Adjusted EBITDA^(A) of \$(1.8) million compared with \$1.1 million in Q2 2016

Consolidated revenues increased 39.0% to \$64.5 million principally as a result of higher revenues from acquisition and organic growth. The U.S. residential mortgage origination market increased by approximately 3% in the quarter ending March 31, 2017 compared to the prior year period, according to the Mortgage Bankers Association ("MBA") April 18, 2017 forecast. The MBA estimates that the purchase market increased 15%, however the refinance market was down 10%. Real Matters' organic market share gains with our clients during the quarter exceeded the MBA estimated increase for residential mortgage originations quarter-over-quarter.

Revenue growth from our April 2016 acquisition of Linear Title & Closing Ltd. ("Linear") contributed \$15.7 million to the quarter-over-quarter increase. Organic revenue growth in the second quarter of fiscal 2017 was the result of additional market share gains with our existing appraisal clients and transaction volumes from new appraisal clients. We successfully launched two Tier 1 U.S. mortgage lenders in the first quarter of fiscal 2017, which represented a significant achievement and base from which to grow market share in both the current quarter and future periods.

Revenues in Canada increased 13.8% to \$6.9 million for the three months ended March 31, 2017. We managed higher appraisal volumes in the second quarter of fiscal 2017 as a result of increased market share with existing clients and FX contributed 4.4% to the quarter-over-quarter increase in Canadian segment revenues.

Net Revenue^(A), which management calculates as revenues less transaction costs, increased 87% to \$18.9 million from \$10.1 million in Q2 2016. Higher transaction costs were in line with organic revenue growth generated in the second quarter of fiscal 2017 due to market share gains from existing clients and new client additions. Excluding the impact of the Linear acquisition, Net Revenue^(A) margins were lower quarter-over-quarter due to higher appraiser costs incurred in conjunction with onboarding and deploying our platform with new clients, which included Tier 1 mortgage lenders in the U.S. We view this stage of client deployment as our opportunity to demonstrate the power of our platform, and we have an established track record of progressively growing market share with clients over time. As we build market share with clients, we expect to leverage our platform to lower transaction costs as a percentage of revenues over the long term.

Adjusted EBITDA^(A) decreased to \$(1.8) million from \$1.1 million in Q2 2016 principally as a result of higher transaction costs and operating expenses in the appraisal business and new public company costs. Higher transaction costs and operating expenses in the appraisal business were in line with our expectations as we build capacity on the platform to scale for additional transaction

volume from our new Tier 1 clients. We expect that the impact of these costs will be more than offset by increased transaction volumes in future periods. Corporate operating expenses increased \$1.0 million in the second quarter of 2017 and included additional staff to support our platform and growth strategies as well as new hires for public market readiness.

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

	Three months ended	
	March 31, 2017	March 31, 2016
Condensed Consolidated Statement of Operations		
Revenues	\$ 64,518	\$ 46,418
Transaction costs	45,603	36,279
Operating expenses	20,791	9,077
Acquisition and initial public offering costs	855	209
Amortization	5,366	1,462
Impairment of assets	5,096	-
Interest expense	256	88
Interest income	-	-
Net foreign exchange loss	452	763
Loss on fair value of warrants	66	5,327
Net loss from equity accounted investees	194	-
Loss before income tax recovery	(14,161)	(6,787)
Net income tax recovery	(5,253)	(357)
Net loss	\$ (8,908)	\$ (6,430)
Net Revenue^(A)	\$ 18,915	\$ 10,139
Adjusted EBITDA^(A)	\$ (1,823)	\$ 1,062

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

Revenue by geography and service type

Three months ended March 31, 2017					Three months ended March 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	\$ 41,871	72.7 %	\$ 7,925	86.5 %	\$ 40,332	100.0 %	\$ 7,277	87.0 %
Title and closing	15,319	26.6 %	-	- %	-	- %	-	- %
Other	403	0.7 %	1,236	13.5 %	-	- %	1,090	13.0 %
Revenues	\$ 57,593	100.0 %	\$ 9,161	100.0 %	\$ 40,332	100.0 %	\$ 8,367	100.0 %

Outlook

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

(A) Non-GAAP Measures

Real Matters' financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). Real Matters reports several non-GAAP financial measures, including "Net Revenue" and "Adjusted EBITDA". See "Non-GAAP measures" in Real Matters' MD&A for the periods ended March 31, 2017 for a more complete description of these terms. These measures which the Company believes are widely used by investors, securities analysts and other interested parties, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar titled measures presented by other public companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Any Non-GAAP measures should be considered in context with the IFRS financial statement presentation and should not be considered in isolation or as a substitute for IFRS revenues, net income or cash flows.

Adjusted EBITDA

	Three months ended March 31	
	2017	2016
Net loss	\$ (8,908)	\$ (6,430)
Stock-based compensation expense	53	-
Acquisition and initial public offering costs	855	209
Amortization	5,366	1,462
Impairment of assets	5,096	-
Interest expense	256	88
Interest income	-	-
Net foreign exchange loss	452	763
Loss on fair value of warrants	66	5,327
Net loss from equity accounted investees	194	-
Income tax recovery	(5,253)	(357)
Adjusted EBITDA	\$ (1,823)	\$ 1,062

Management typically calculates Adjusted EBITDA as follows:

	Three months ended March 31	
	2017	2016
Revenues	\$ 64,518	\$ 46,418
Less: Transaction costs	45,603	36,279
Less: Operating expenses	20,791	9,077
Add: Stock-based compensation expense	53	-
Adjusted EBITDA	\$ (1,823)	\$ 1,062

Net Revenue

	Three months ended March 31	
	2017	2016
Net loss	\$ (8,908)	\$ (6,430)
Operating expenses	20,791	9,077
Acquisition and initial public offering costs	855	209
Amortization	5,366	1,462
Impairment of assets	5,096	-
Interest expense	256	88
Interest income	-	-
Net foreign exchange loss	452	763
Loss on fair value of warrants	66	5,327
Net loss from equity accounted investees	194	-
Income tax recovery	(5,253)	(357)
Net Revenue	\$ 18,915	\$ 10,139

Management typically calculates Net Revenue as follows:

	Three months ended March 31,	
	2017	2016
Revenues	\$ 64,518	\$ 46,418
Less: Transaction costs	45,603	36,279
Net Revenue	\$ 18,915	\$ 10,139

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 transaction volumes. 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 periods ended March 31, 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 below under the heading “Important Factors Affecting Results from Operations” outlined in the Strategy and Outlook section of the Company's MD&A for the quarter ended March 31, 2017.

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.

Conference Call and Webcast

A conference call to review the results will take place at 10:00 a.m. (ET) on Monday, May 15, 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: (877) 201-0168
- Participant International Dial-In Number: (647) 788-4901
- Conference ID: 21264972

To listen to the live webcast of the call:

- Go to: <https://event.on24.com/wcc/r/1424687/C49D0A401BDFD3D901A70CCBA413BF91>

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.

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 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 and Linear Title & Closing brands, 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 Linear is a leading independent provider of title and mortgage closing services in America. Established in 2004, Real Matters has offices in Buffalo (NY), Cincinnati (OH), 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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Real Matters

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