

## **CORPORATE PARTICIPANTS**

**Lyne Beauregard**, *Vice President, Investor Relations*

**Brian Lang**, *President and Chief Executive Officer*

**Bill Herman**, *Executive Vice President and Chief Financial Officer*

## **CONFERENCE CALL PARTICIPANTS**

**Thanos Moschopoulos**, *BMO Capital Markets*

**Daniel Chan**, *TD Securities*

**Martin Toner**, *ATB Capital Markets*

**Mihir Raul**, *National Bank Financial*

**Robert Young**, *Canaccord Genuity*

## **PRESENTATION**

### **Operator:**

Good day and thank you for standing by. And welcome to the Real Matters Third Quarter 2021 Conference Call. At this time, all participants lines are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to Lyne Beauregard, Vice President of Investor Relations. Thank you. Please go ahead.

### **Lyne Beauregard:**

Thank you, operator, and good morning, everyone. Welcome to Real Matters financial results conference call for the third quarter ended June 30, 2021. With me today are Real Matters' Chief Executive Officer Brian Lang and Chief Financial Officer Bill Herman.

This morning, before market opened, we issued a news release announcing our results for the three and nine months ended June 30, 2021. The release accompanying slide presentation as well as the financial statements and MD&A are posted in the investor relations section of our website at [realmatters.com](http://realmatters.com). During the call, we may make certain forward-looking statements which reflect the current expectations of management with respect to our business in the industry in which we operate. However, there are a number of risks, uncertainties and other factors that could cause our results to differ materially from our expectations.

Please see the slide entitled cautionary note regarding forward-looking information in the accompanying slide presentation for more detail. You could also find additional information about these risks in the Risk Factors section of the company's Annual Information Form for the year ended September 30, 2020, which is available on SEDAR and in the investor relations section of our website.

As a reminder, we refer to non-GAAP measures in our slide presentation, including net revenue, net revenue margin, adjusted EBITDA, adjusted EBITDA margin. Non-GAAP measures are described in our MD&A for the three and nine months ended June 30, 2021 where you will also find reconciliation to the nearest IFRS measures.

With that, I'll now turn the call over to Brian

**Brian Lang:**

Thank you, Lyne. Good morning, everyone, and thank you for joining us on the call. I will kick things off today by discussing some of the highlights of our third quarter. Bill will then take a deeper dive into our segment financials. And I will wrap up the call with some brief remarks prior to taking questions.

We posted record revenues and net revenues in our US Appraisal and Canadian segments in the third quarter from net margin share gains, new client launches, as well as a more robust mortgage market on both sides of the border. Consolidated revenues were up 9.6% in the third quarter as the strong performance of our US Appraisal and Canadian segments was offset in part by a decline in US Title revenues, a third of which was related to the continued rationalization of the diversified title business.

Turning to slide 3, consolidated net revenue decreased 12.1% year-over-year to \$38.6 million and adjusted EBITDA decreased to \$11.8 million from \$20.9 million in the third quarter of fiscal 2020 due to the lower contribution from our US Title segment. After the runup in the 10-year Treasury in March, 30-year fixed mortgage rates moved marginally lower during the quarter, which resulted in flat refinance activity year-over-year as a robust purchase season got under way. US Appraisal segment revenues increased 17.5% year-over-year to \$85.3 million driven by higher market volumes, net market share gains and new client additions. Origination-only revenues were up 20.6% year-over-year which compares to an estimated increase of 17.1% in the addressable market which takes into account the impact of Veteran Affairs volumes and waivers.

In the quarter, we launched three new lenders in US Appraisal. We also continue to rank at the top of lenders scorecards which drove market share gains in the main origination channel year-over-year. Operational excellence continues to be our principal focus as we drive toward achieving our fiscal 2025 objectives and doubling our US Appraisal purchase and refinance market share and achieving net revenue margins of 26% to 28%, and adjusted EBITDA margins of 65% to 70%.

In our US Title segment, third quarter revenues were down 28.8% year-over-year. Centralized title revenues were down 22.2% compared with an estimated 0.5% decrease in market volumes. As we highlighted in prior periods and during our Investor Day last fall, we have been transitioning our client base in US Title for some time making capacity for new franchise type clients like the Tier 1 and Tier 2 lenders we launched earlier this year. To put this into context, let me give you a bit more color around timing of this transition. As title volumes were surging late last year and with the launch of our first Tier 1 customer on the horizon, we kept volume with some historical customers to ensure we had ample capacity to properly service the Tier 1 and other new Tier 2 lenders. As the 10-year yield moved up earlier this year, we did not receive as much volume as we would have otherwise received due to the caps we put in place.

Performance in the first quarters of a new Tier 1 launch are critical as was the case in appraisal and we firmly believe that we made the right decisions for the long term. We are very pleased with our performance and the market share progression we have seen thus far with our new title clients, and we also launched two new lenders entitled in the third quarter. We are continuing to look at opportunities to build up share, should the rate

environment be less favorable in the near term. We remain confident with our strategy and long-term objectives for this business to triple our market share to 6% to 8% by the end of fiscal 2025 and achieve net revenue margins in the 60% to 65% range and adjusted EBITDA margins in the 50% to 55% range.

Diversified title revenues were down 69% year-over-year in the third quarter in line with our strategic plan to rationalize this business and better support the growth of our centralized title services. On a year-to-date basis, this represents a revenue decline of \$12.9 million in our Title segment. In our Canadian segment, third quarter revenues

were up 149.1% year-over-year. Higher appraisal volumes from market share gains and a stronger mortgage origination market in Canada drove record volumes in the Canadian appraisal business during the quarter. We also benefited from foreign exchange, and revenues in our insurance business increased with the relaxation of certain COVID-19 restrictions. Adjusted EBITDA more than doubled to \$1.3 million from \$0.6 million in the third quarter of fiscal 2020.

With that, I'll hand it over to Bill. Bill?

**Bill Herman:**

Thank you, Brian, and good morning, everyone. Turning to slide 4 and 5 for a closer look at our financial results. Consolidated revenues increased in the third quarter of fiscal 2021 compared to the same quarter last year due to record revenues in our US Appraisal and Canadian segments, which were partially offset by the decline in US Title revenues. In our US Appraisal segment, we serviced higher origination volumes from higher market volumes, net market share gains and new client additions. Conversely, revenues from home equity and default volumes declined year-over-year due to lower market volumes for these services.

Transaction costs in our US Appraisal segment increased 22.5% year-over-year compared to the 17.5% increase in revenues for the same period. As a result, net revenue was up 2.3% to \$18.1 million while net revenue margins declined 310 basis points to 21.3% from 24.4% we posted in the same period last year. This decline was due in part to the mix of mortgage origination volume serviced and appraiser onboarding to service higher volumes, partially offset by servicing fewer low margin home equity volumes.

Operating expenses in our US Appraisal segment increased 9.7% to \$7.6 million, up from \$6.9 million in the third quarter of fiscal 2020 due to an increase in payroll and related costs from higher origination volumes serviced. As a result, adjusted EBITDA declined modestly to \$10.5 million from \$10.8 million in the third quarter of fiscal 2020. Adjusted EBITDA margins in our US Appraisal segment decreased to 58.2% in the third quarter of fiscal 2021 from the 61% we posted in the same quarter last year due to lower net revenue margins and capacity additions we made to service higher volumes.

Turning to our US Title segment, third quarter revenues were down 28.8% year-over-year. Revenues attributable to centralized title services declined \$7.1 million to \$24.7 million and our average revenue per transaction was largely unchanged from the prior quarter comparative. Diversified revenues totaled \$1.6 million, representing a decline of \$3.6 million from the third quarter of fiscal 2020. The decrease in diversified revenues was due to lower commercial, search and capital markets revenue attributed to lower market volumes and our strategic decision to reallocate internal resources to support centralized title services. The decline in other revenues was due to lower market activity for home equity services.

Transaction costs decreased 33.5% and net revenue margins expanded to 67.2%, up from the 64.9% we posted in third quarter of 2020. The expansion in net revenue margins was due to the flow of volumes in the third quarter, which saw us close a higher proportion of transactions relative to new orders received. Operating expenses in our US Title segment increased \$2.4 million to \$14.4 million in the third quarter of fiscal 2021. The year-over-year increase in operating expenses is due to the capacity you've seen us building for several quarters now to service higher volumes and to support our first Tier 1 client launch.

Adjusted EBITDA decreased to \$4.3 million in the third quarter of fiscal 2021, down from the \$13.3 million we posted in the same quarter last year. And adjusted EBITDA margins contracted to 22.8% from the 52.7% we posted in the prior year period owing to the impact of lower volumes relative to the existing cost base in the business. As we've done in the past, we will continue to be prudent in managing costs to scale with volumes, ensuring that we make the right decisions to support our long-term objectives. We remain confident in our ability to achieve adjusted EBITDA margins of 50% to 55% by the end of fiscal 2025 based on the achievement of our market share objectives.

In Canada, revenues increased 149.1% on a year-over-year basis to \$16.3 million, while net revenue margins contracted by 280 basis points due to the mix of mortgage origination volumes serviced. Canadian segment

operating expenses were \$0.5 million in the third quarter, up from \$0.4 million in the third quarter of fiscal 2020. And adjusted EBITDA margins increased to 70.6% from 59.8% in the same quarter last year as we leveraged our Appraisal operations in a higher overall volume environment.

In total, third quarter consolidated net revenue was down 12.1% to \$38.6 million from the \$43.9 million reported in the third quarter of fiscal 2020 from the lower contribution of our US Title segment, partially offset by higher net revenue margins recognized in this segment due to the flow of transaction volumes in the quarter. Consolidated net revenue margins decreased to 29.8% in the third quarter of fiscal 2021, down from 37.2% in the third quarter of fiscal 2020 due to lower margins in our US Appraisal and Canadian segments and lower net revenue generated by our US Title segment.

Consolidated adjusted EBITDA was \$11.8 million in the third quarter of fiscal 2021, down from \$28.9 million in the same quarter last year. And consolidated adjusted EBITDA margins decreased to 30.5% in the third quarter of fiscal 2021 versus the 47.6% we posted in the third quarter of fiscal 2020 due to the capacity additions we made in our US Title and US Appraisal segments.

Turning to the balance sheet. We ended the quarter with cash and cash equivalents of \$79.3 million, down from \$19.2 million at March 31, 2021. We purchased 4.4 million shares in the third quarter under our NCIB at a cost of \$59.2 million. In fiscal 2021, we have allocated more than \$86 million year-to-date to share purchases under our NCIB, buying 6.2 million shares in support of our view of the company's intrinsic value. Post quarter end, we purchased an additional 335,000 shares under our NCIB.

With that, I'll turn it back over to Brian. Brian?

**Brian Lang:**

Thanks, Bill. So in summary, our US Appraisal and Canadian segments posted great results in the third quarter setting new record highs. And while we are in a transitional phase in US Title, we are very pleased with our performance and progression with our newly launched clients. We're also confident in our ability to grow the business with the right clients over the long term. As Bill indicated in his remarks, we will continue to be prudent and manage our cost base to scale with volume while ensuring we make decisions that support our long-term growth objectives. We are focused on continuing to build a great business for the long term.

With that, operator, we'd like to open it up for questions now.

**Operator:**

[Operator Instructions] Thank you. [Operator Instructions] Your first question comes from the line of Thanos Moschopoulos from BMO Capital Markets. Your line is now open.

**Thanos Moschopoulos:**

Hi, good morning. Brian, just going back to your comment about reallocating resources to focus on the ramp of larger lenders in Title. Maybe can you fill a bit on that, I mean why was a constraint there? Why couldn't you have just maybe hired more people to continue supporting the small customers while also ramping the large ones or is it really sort of the bottleneck in terms of just skilled experienced resources that you want to make sure that you're focusing on those large ramps? What was the issue there?

**Brian Lang:**

Yeah. Morning, Thanos. And I think it lines up a little bit more with the second observation that you made. So again, if we play back to the end of last year, the volumes were surging. We had 50 to 70 basis point type rates and there was a tremendous amount of volume coming in. And at the same time, we had a Tier 1 and a big Tier 2 in our line of sight. And both of these, of course, would be those longer-term franchise customers we talk about. And so we needed to ensure that we had ample capacity. And so in order to do that, we had to cap some of the volume of historic customers. As you know the 10-year moved up and even in this past quarter, we got up over 170 basis points.

And so Thanos, we simply had less volume than we had anticipated. So back a year ago, we anticipated significant volume at those rates and slightly less volume.

At the same time, we also made that decision to rationalize the diversified title business into centralized title. And we sort of discussed that since the start of the years where we shut down commercial and this quarter, we shut down capital markets. And so that had – a third of the impact on title shortfall was from the diversified work. So I mean, we're very confident in the runway. We are performing well with the Tier 1 and Tier 2 that we launched. We needed that capacity at the time to make sure first impressions count with these players. And we can continue to be very focused on our long-term targets of tripling market share with the margins that we've shared.

**Thanos Moschopoulos:**

Okay. And then just to clarify in terms of the Tier 1 and the Tier 2, as far as those ramps, are they progressing as you expected initially? I mean volumes might be lower because of the rate environment. But just in terms of – from a market share perspective, is that progressing as you thought?

**Brian Lang:**

Yeah. Thanks, Thanos. Yeah. So they are. So I've talked historically and shared our goals of getting Tier 1s to 5% to 10% in the first year. And we are very well on track to do that. We're only in the second quarter. So I think it looks very good progress there. And in the case of the Tier 2, we've even accelerated some of that timeline in the third quarter with them. So on both accounts, we feel very strong on our progression from a market share standpoint.

**Thanos Moschopoulos:**

Okay. Then finally, I mean rates have obviously backed off. There was also the program by the GSEs to promote refis among lower income borrowers. In terms of just what you're seeing the business as of today, are you seeing any kind of a pickup on the back of those things or is it maybe typically more of a delayed reaction in terms of rates versus refis picking up again?

**Brian Lang:**

Yeah. Well, so I mean the refis is – the 10-year treasury is what it is. In this past year, Thanos, we've definitely seen some peaks and valleys in the 10-year. So I think the 10-year will be what it is. When we reflect back on the last quarter from a refinance standpoint, it was – the volume is marginally negative based on the rates. So I think a lot of it we're going to have to see what the rates look like going forward and see whether there's much of an impact. I think that will drive more of an impact than some of the elements you outlined that have been happening sort of within the industry.

**Thanos Moschopoulos:**

But if you could say just from a real time basis like over the last couple of weeks with rates having had a big move, has there been an uptick or is it too early?

**Brian Lang:**

Sorry. Apologies. Just in the last couple of weeks. So we've seen a little bit of a move. And what we've generally – I think what's interesting right now, Thanos, is we've got this 12.5 million homeowner group in the US that all are in a position to save over 50 basis points on their mortgages. And frankly, we haven't seen necessarily the movement there that we would have expected. So I think that's actually part of, I think, the interesting elements of human psychology is what's going on right now with the US homeowner and will they start taking advantage of the fact that the rates are very good and that they could save a fair bit of money on their mortgages. So I think that will be an interesting driver with rates where they are right now.

**Thanos Moschopoulos:**

Okay. Thanks, Brian. I'll pass the line.

**Brian Lang:**

Thanks, Thanos.

**Operator:**

Your next question comes from the line of Daniel Chan from TD Securities. Your line is now open.

**Daniel Chan:**

Hi. Good morning. I'm just wondering how your discussions with the other Tier 1s are going on getting on to the close of business?

**Brian Lang:**

Yeah. Dan, the pipeline continues to move. As we talked about in the past, we talked about having a majority of the Tier 1s in conversations on title. That continues. I think there is on the one hand a little bit of wait and see as we've launched these first two. And as we've talked about, performance is incredibly important. And so I think part of the reason we are confident about our market share with the first two is because we are performing incredibly well and top of scorecards. So, we're feeling really confident there. And I think as I say, there is a bit of a wait and see with the other Tier 1s and Tier 2s, but conversations continue to progress well.

**Daniel Chan:**

Thanks. That's helpful. And then any update on the proportion of appraisals that are getting waived?

**Brian Lang:**

Yeah. So when we reflect back, we take a look at the impact on the addressable market. So, if we look at the impact on the US Appraisal market in Q2, the impact from waivers was that it was down 31%. In this past quarter, it was – the impact was 22%. So definitely a fairly sizable drop in waiver impact on the addressable market. And that, Dan, is a combination. It's a mix of the overall proportionality of rate refi coming down, cash-out refi coming up and purchase of course. The market grew quite well in the past quarter. So, it's a bit of a mix of that group as well as we estimate that the GSEs are slightly lower proportionality of the overall market in Q3 versus Q2. I'm assuming that's answered Dan's questions.

**Operator:**

Thank you. Your next question comes from the line of Martin Toner from ATB Capital Markets.

**Martin Toner:**

Hey, guys. Thanks a lot for taking the question. Can you tell us – I'm assuming that based on the results in Title this quarter that you now have excess capacity in Title. Can you kind of tell us what that is? And in order – and based on your market share goals, if you'll be able to ramp at a necessary rate going forward.

**Brian Lang:**

Sure. So let's go back to the commentary around ensuring we have ample capacity, Martin. So that is a critical item for us when we are looking at these Tier 1s, Tier 2s, these longer-term franchise customers. So you need to make sure that you've got that ample capacity. I had mentioned over the last couple of quarters that we were building that capacity both at a network level as well as making sure that we had the resources to do that. I think we've done a fantastic job of building the network. So we're feeling incredibly bold about where our network is on the Title side. And so now it's a matter of going forward managing volumes and costs. And so I think we'll be very thoughtful about that. As I say you need to make sure you're continuing to keep that ample capacity with the expectations of Tier 1s and Tier 2s in the future as well as managing against the volumes that you have now. So that will be the balance that we manage over the next couple of quarters, as we make this transitional move from our historic Tier 3s, Tier 2s into the more Tier 1, Tier 2 base.

**Martin Toner:**

Thanks. Is there a certain like amount of capacity you think you can add in every year. So like right now you're at, say, 2.5% share of US Title, something in that range. Is it – like is that a maximum amount you can add? Is it 1%? Just wondering if you can give us a feel there.

**Brian Lang:**

Martin, I missed the first part. I think the question was around market share ramp to our expectations of tripling market share. Is that the question?

**Martin Toner:**

No. It was on capacity like...

**Brian Lang:**

Oh, capacity.

**Martin Toner:**

Is there a certain amount of capacity you're able to add, say, per year, like is it 1% or – I'm just trying to get my head around, will this capacity issue happen again?

**Brian Lang:**

So the question is can we ramp capacity when we need to. If you've seen from this past year, we have ramped up significantly our capacity from where it was over a year ago. So we can, as you know the big sort of focus for us longer term Martin is the scale of the business. I mean, that's really a big chunk of the value of the franchise is the ability for this business to scale. And so in a more mature business like if you take a look at our Canadian business, you'll see that expenses went up very minimally this past quarter, whereas volume was up almost 150%. So we're able to scale up in a mature environment incredibly well and then scale down as need be.

So where we are with Title, again, it's transitional crossing the chasm, where we need to make sure that we've got enough capacity for the new customers that we are out in conversations with while making sure, of course, that we deliver the right type of economics on the current business that we have now. So we can flex up and down as required, but of course, where we're moving towards is starting to get some of the leverage off of the scale of our business longer term.

**Martin Toner:**

How much share did the customers that you lost share with this quarter represent?

**Brian Lang:**

So, Martin, I don't have a track on that particular number. So we capped this a fair bit of time ago. And so when we take a look at how their volume ramps versus our Tier 1s and Tier 2s, it's driven by the market. It's driven by us winning market share with some customers and – or some of them maintaining that cap volume that we have. So I apologize, I don't have an easy answer for that question.

**Martin Toner:**

Yeah, no problem. And the customers that you lost share with, did you lose any of them entirely or – and if not what's your level of confidence that you'll bring it back over time?

**Brian Lang:**

Yeah. So, listen, I think where we're focused, again, I think the confidence in the new customers we're bringing on, focusing on those longer-term franchise customers, the ones that are interested and focused on performance, on quality, on speed, Martin, those are the ones that we will continue to grow that we're focused on increasing market share with. And we feel very confident that we are performing right now and that we will continue to increase market share with them. So that's really where the team's focused. Market share increase with Tier 1s and 2s, market share

increase with the right customers within our historical base, as well as bringing in more new customers. So we mentioned we brought in two this past quarter. We will definitely be bringing in more than two this upcoming quarter. And that's really where the focus is.

**Martin Toner:**

Okay. I appreciate that. Okay. Thanks for taking my questions.

**Brian Lang:**

All right. Thanks, Martin.

**Lyne Beauregard:**

Brian, before we move on to the next question, when the question came up about the update on appraisal waivers, it wasn't audible to certain participants on the call. If you could maybe repeat the answer to what is our update on the appraisal waivers right now. Thank you.

**Brian Lang:**

For sure, my apologies. And lean in, Lyne, if it does cut out. So on appraisal waivers. So in Q2, we talk about the impact on the addressable market. And so in Q2 when we reflect back, the waivers had a 31% impact on the market. When we look at Q3, that impact is 22%. So a fairly decent drop in the impact of waivers on the addressable market. A good chunk of that is the mix that we've talked about in the past which is the proportion of purchase transactions versus cash-out and versus rate refi. And so with cash-outs coming up, with rate refi being flat or slightly negative and with purchase up sort of in the 30% range, we've definitely seen a move in that mix. You also then pair that with our estimates that the GSEs are a slightly smaller proportion of the overall market and you take those two together and you see a fairly decent drop in the impact of waivers.

**Operator:**

Your next question comes from the line of Richard Tse from National Bank Finance (sic) [National Bank Financial]. Your line is now open.

**Mihir Raul:**

Hi. This is Mihir Raul calling in for Richard. Just wanted to ask on the data side, is there any update on that?

**Brian Lang:**

Here, we continue the conversations and the work that we're doing on our data strategy. So, we've – our corporate development team has been very busy this past quarter and we've continued to evolve I think our view on the verticals, and we've interacted with the right type of customers in that space. And so I think we're feeling like that strategy is definitely moving forward.

**Mihir Raul:**

Okay. And then just on inflation, I was just wondering if you guys are seeing any impact on the business regarding that?

**Brian Lang:**

No, I don't think right now, at least in the past quarter. I mean here, we haven't seen any of the inflationary discussion really having an impact. I mean as you probably are aware, it's much more based on the macro dynamics of the mortgage market. So we've seen purchases up fairly significantly. We've seen the refinance market as we've talked about relatively flat minus 0.5%. So that's really I think the drivers.

**Mihir Raul:**

Okay. And then just one last one. Obviously, you guys have been pretty aggressive with the share buybacks. Just wondering how we should think about that moving forward?

**Brian Lang:**

Sure. So we worked very closely with our board around the share buyback. And so you can see by our activity, \$60 million spend in the last quarter, 4.4 million shares. The board really believes in the long-term intrinsic value of the business. And so we definitely leaned in this past quarter. This is our biggest quarterly investment to-date as – no doubt, I mean here you're aware. So going forward, we're going to continue to work with the board. It's very disciplined approach. And we will evaluate as part of our overall capital allocation strategy and consider it both against other strategic elements we're looking at as well as growth opportunities going forward.

**Mihir Raul:**

Okay. Thanks. Thank you for taking my questions. I'll pass the call.

**Brian Lang:**

Thanks, Mihir.

**Operator:**

Your next question comes from the line of Parth Shah from Canaccord Genuity. Your line is now open.

**Robert Young:**

Hi. This is Rob Young on for Parth. First question for me would be related to the one-third of the shortfall related to the diversified title. The remaining two-thirds, is there a way to parse that out and give an indication of how much was related to the accounts that you'd capped off late last year or maybe just to get a sense of how much of that shortfall is related to strategic decisions that you're making as a management team versus market related?

**Brian Lang:**

Sure, Rob. I mean, so a good portion would be related to our decisions around capping historical customers. I say that the Tier 1s and Tier 2s – Tier 1, Tier 2 we launched this year, as we've discussed, have been progressing from a market share standpoint. So definitely, a decent proportion is the capping that we thought made tremendous sense back in a very different market at the end of the last year.

**Robert Young:**

Okay. Great. And then I mean just to continue on, I think that Martin asked a question on the permanence of the decision there. What about the diversified industry or the diversified parts? Are those permanent decisions that you're moving away from those businesses or is that a temporary resource allocation that you might go back into those markets?

**Brian Lang:**

Rob, we've talked about diversified title over the years. As you know, it's a lumpy business. It's a very project based and it's not built in like our scaled, networked platform model.

So we started making those comments last year around looking at rationalizing it. We made the comment earlier in the year around commercial where we shut that down. We've shut down capital markets. And so that's pretty well most of the diversified business, Rob, that's now shut down. And we're going to rationalize that into the growth on centralized title. That's our scale business. That's the long-term business. So that's I think the way we're looking at diversified data.

**Robert Young:**

Great. Okay. And then, maybe last question, you'd said that just a couple minutes ago that you're seeing an uptick in new client wins subsequent to the quarter. Is there any other color you can provide around that? Whether it's Tier 2 or smaller or maybe any additional color would be helpful. Then, I'll pass the line.

**Brian Lang:**

Yeah. No, I think the comment around – we launched a couple last and I feel confident that we'll launch more of that this quarter because the sales pipelines and the focus from our sales team on new customers has been quite strong. So it's going to be a mix. We'll have to see, Rob, which ones land. But we've got a very good mix. You know our focus on Tier 1s and 2s. And then, of course, we are just as focused on the right types of customers in the Tier 3, Tier 4 categories. So as I say, it just depends on how they launch and how they land. And I will definitely comment on that next quarter.

**Robert Young:**

Thanks.

**Operator:**

Okay. [Operator Instructions] Your next question comes from the line of Martin Toner from ATB Capital Markets. Your line is now open.

**Martin Toner:**

Hey, guys. Thanks. Two quick follow-ups. Number one, was decentralized title lower margin? And then number two, will the removal of the adverse market refinance fee? Will that give refinance market the boost?

**Brian Lang:**

Let me address your second question, Martin, and then I'll have Bill address the margin question on DT. So the adverse fee – I think, listen, when the adverse fee came in, I guess, late last year – when the adverse fee came in, our commentary around that, Martin, was that, we thought there was a very good chance that the banks would take that into the spread and the margin on the business, which is what we generally saw. So our view right now is that we don't think that will have a big impact on the business. It is 50 bps. It is 0.125% depending on the loan size. But we think it probably won't have a significant impact. I think it's – the conversation in the market we'll see in August, of course, when it hits with the conversation from a market standpoint with a bunch of the lenders is that it very well either may not be enacted too much or may not have too much of an impact on their customer base.

**Martin Toner:**

Great. And how about decentralized title margin profile relative to centralized?

**Brian Lang:**

Yeah, So, Bill?

**William Herman:**

Yeah, can you hear me all right?

**Brian Lang:**

Yeah.

**William Herman:**

Excellent. So Martin, even though the centralized – diversified, sorry, diversified revenue stream with project base a little bit lumpy. It actually shared a very similar net revenue margin profile to centralized title. So thinking that 60% to 65% range on a blended basis across all of the service offerings that constituted a diversified service revenue stream. So very similar is a short answer to CT.

**Martin Toner:**

Got you. Thanks so much.

**Brian Lang:**

Okay. Thanks, Martin.

**Operator:**

Thank you. We have no further questions in the queue. This concludes the Real Matters third quarter 2021 conference call. Thank you for participating. You may now disconnect.