



## Real Matters Q1 2025 Conference Call - Transcript

January 30, 2025

### Corporate Participants

**Brian Lang**, *Chief Executive Officer*

**Rodrigo Pinto**, *Executive Vice President and Chief Financial Officer*

**Lyne Beauregard**, *Vice President, Investor Relations & Corporate Communications*

### Other Participants

**Stephen Machielsen**, *BMO Capital Markets*

**Gavin Fairweather**, *Cormark Securities*

**Eric Livshits**, *ATB Capital Markets*

**Robert Young**, *Canaccord Genuity*

**Jonathan Wong**, *TD Cowen*

**Richard Tse**, *National Bank Financial*

**Steven Li**, *Raymond James*

### Presentation

#### Operator

Good morning, ladies and gentlemen, and welcome to the Real Matters First Quarter 2025 Earnings Call. [Operator Instructions]

I would now like to turn the conference over to Lyne Beauregard. Please go ahead.

#### Lyne Beauregard

Thank you, operator, and good morning, everyone. Welcome to Real Matters' financial results conference call for the first quarter ended December 31, 2024. With me today are Real Matters' Chief Executive Officer, Brian Lang; and Chief Financial Officer, Rodrigo Pinto. This morning, before market opened, we issued a news release announcing results for the three months ended December 31, 2024. The release, accompanying slide presentation, as well as financial statements and MD&A are posted in the Investors 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 and 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 details. You can 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, 2024, 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 margins, adjusted net income or loss, adjusted net income (loss) per diluted share, adjusted EBITDA and adjusted EBITDA margins. Non-GAAP measures are described in our MD&A for the three months ended December 31, 2024, where you will also find reconciliations to the nearest IFRS accounting standards measures.

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

### **Brian Lang**

Thank you, Lyne, and good morning, everyone, and thank you for joining us on the call today. Our first quarter results delivered solid top line growth in all three segments and net revenue margin gains in two of our segments. We grew consolidated revenue 16% year-over-year in the first quarter, and consolidated net revenue increased 12%. First quarter U.S. Appraisal revenues were up 9%. We had market share increases with two top customers. We launched one new client in two channels, and we continue to perform at the top of lender scorecards. We also posted net revenue margins of 26.5%, which kept us in the range of our target operating model.

Moving over to U.S. Title, we saw a substantial increase in refinance origination volumes year-over-year, due in part to a brief 50-basis-point decrease in rates. What we witnessed in the first few weeks of the quarter when rates moved lower is indicative of the impact of relative changes in mortgage interest rates. It's a good reminder that even small changes in rates have the power to propel transaction volumes. Our refinance origination volumes were up 46% year-over-year. Net revenue was up 41%, and we launched three new clients in U.S. Title in the first quarter. The combination of the short-term rally in rates, as well as the growing pool of refinance candidates, has resulted in broad pipeline movement. With recent successes, we are confident that we will have new active franchise title clients in the coming months. Our U.S. Title business is at an inflection point. And with this momentum behind us, we are confident that this is the time to amplify our efforts to capture more market share.

Canada posted stellar results in the first quarter as the market benefited from an improving rate environment. We launched an appraisal with a large reverse mortgage lender in the first quarter, and we received top marks for our appraisal performance on a pilot with a big-five Canadian bank. Revenues for our Canadian segment were up 38% on a year-over-year basis, and net revenue

margins remained near all-time highs at 18.9%. We also converted 90% of year-over-year incremental net revenue to adjusted EBITDA in the first quarter.

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

### **Rodrigo Pinto**

Thank you, Brian, and good morning, everyone. MBA mortgage application data for fiscal Q1 was relatively flat in purchase year-over-year, which was likely impacted by the U.S. election and the gradual increase in rates during the quarter. 30-year mortgage rates moved up by more than 80 basis points during the first quarter. On the refinance side, application data was more positive as we saw a very short-lived rate decline at the end of September and in the first week of October, most of which was captured in our fourth quarter results for U.S. Appraisal. Given that title transactions typically close several weeks after the application and appraisal order, the benefit of that short-lived rate decline carried into our first quarter U.S. Title results.

Turning to our segmented financial performance, I'll start with our U.S. Appraisal segment, where we recorded revenues of \$29.4 million, up 9% from the same period last year. Revenues from purchase mortgage originations were relatively flat and refinance originations were up 17%, in line with net market share increases with existing and new clients and slightly better market conditions. Home equity revenues were up 16% year-over-year because of solid net market share growth with our clients, and home equity revenues accounted for 24% of the segment's revenues in Q1. U.S. Appraisal net revenue was \$7.8 million for the first quarter, up from \$7.5 million in Q1 '24, and net revenue margins decreased by 140 basis points, mostly due to the distribution of transaction volumes as it relates to geographies, clients and product mix. We posted net revenue margins of 26.5% in Q1 '25, which remains with our target operating model range.

First quarter U.S. Appraisal operating expenses increased by \$600,000 year-over-year to \$5.4 million due to nonrecurring claim expenditures, higher-than-usual legal fees, as well as salary increases and higher benefit costs. We posted U.S. Appraisal adjusted EBITDA of \$2.4 million compared with \$2.7 million from the first quarter of fiscal 2024, and we posted adjusted EBITDA margins of 30.9% compared with the 35.8% we posted in the first quarter last year, as the increase in net revenue was offset by higher operating expenses.

Turning to our U.S. Title segment, first quarter revenues increased 25% year-over-year to \$2.5 million, and refinance origination revenues were up 53%, principally due to net market share gains with existing and new clients and higher refinance volumes. U.S. Title net revenue was \$1.4 million, up 41% from the first quarter last year, and net revenue margins increased to 53.4% from 47.3% due to higher refinance origination volumes and a higher proportion of incoming order volumes that closed. U.S. Title operating expenses were up 22% year-over-year, primarily due to additional sales personnel to accelerate market share increases, and to a lesser extent, salary increases and higher benefits costs. We recorded an adjusted EBITDA loss of \$1.8 million for the U.S. Title segment compared with the \$1.6 million loss we recorded in the first quarter of fiscal 2024.

In Canada, first quarter revenues increased 38% year-over-year to \$9.1 million due to higher appraisal market volumes and net market share gains with new and existing clients for appraisal and insurance inspection services. Net revenue was up 39% to \$1.7 million with 100 basis points increase in net revenue margins in the first quarter of fiscal 2025 compared to the first quarter of fiscal 2024, as we continue to leverage our platform. Canadian adjusted EBITDA was \$1.1 million, up from the \$700,000 in the first quarter of fiscal 2024.

In total, first quarter consolidated revenue and net revenue were up 16% and 12% year-over-year to \$41 million and \$10.9 million, respectively, from increased revenues in all 3 segments. We recorded a consolidated adjusted EBITDA loss of \$1.7 million compared with a loss of \$1.1 million in the first quarter of fiscal 2024 due to a modest increase in our operating expenses. First quarter net income increased to \$2.3 million from a net loss of \$3.6 million in the first quarter of fiscal 2024, mainly due to unrealized FX gains.

Our business is well positioned to face the current macro environment as further devaluation of the Canadian dollar will benefit us as most of our revenues are generated in U.S. dollars and most of our corporate costs are incurred in Canadian dollars. Finally, we maintained a very strong balance sheet with no debt and cash of \$49 million at December 31, 2024.

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

### **Brian Lang**

Thanks, Rodrigo. Overall, the business performed well in the first quarter. We saw year-over-year volume growth in U.S. Appraisal, U.S. Title and Canada. We delivered leading performance on scorecards. We launched five new clients and one new channel, and we grew market share. And as more volume flows through our platform, we continue to generate strong operating leverage and expand our margins and profitability in line with our target operating model.

We remain optimistic about the potential for growth. As I mentioned earlier, we are at a key inflection point with new title client launches on the horizon. Pent-up demand also continues to build as the pool of potential future refinance candidates increases. The pool of refinance candidates expanded by 10% in the first quarter, and the inventory of mortgages being written at higher rates continues to climb daily. There are now 8.8 million outstanding mortgages with an interest rate above 6%.

We have a strong balance sheet, and we will continue to prudently manage our cost base to align with market conditions, ensuring we are ready to scale back up when these headwinds become tailwinds for our growth.

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

## Question and Answer Session

### Operator

[Operator Instructions] And your first question is from Stephen Machielsen from BMO Capital Markets.

### Stephen Machielsen

So, in the press release, you called out five new clients. I'm just wondering if you could give us a bit of color on what segments they were in.

### Brian Lang

Sure. Thanks, Stephen. So, the breakout in the segments, I mean, the first segment is Title. And so, in that segment, I think a really strong quarter and helps sort of prove out the investments that we've made around sales in Title. So, we had three new customers join in Title. One of those was a Tier 1. There was a Tier 2 or a Top 25 and a third. So, that's on the Title front. As you know, big build for us from a franchise standpoint in bringing those types of customers onto our Title platform. It builds on the momentum that we started seeing last quarter where we brought on another Top 25. And with some of the RFPs, Stephen, in the pipe, we've got another couple of Top 25s that we're looking at bringing on the platform in the next couple of quarters. So, for us, anyways, it's a really strong Title new client quarter. We also brought on one of the biggest reverse mortgage lenders in Canada. We brought them on the platform this quarter, as well as bringing on a new customer in two different channels in Title -- sorry, in Appraisal -- excuse me, in Appraisal.

### Stephen Machielsen

All right. Good to hear. So, with the mortgage rate whiplash that we saw in Q4, has that -- have you seen any impacts on, I guess, the speed with which customers are going through their RFPs? I mean, are some pulling back a bit now? Or have you seen -- just some color on the changes that you've seen.

### Brian Lang

Yes. No, so I'd say no. I mean, I think with what happened in September, October last year with rates coming down, I think that definitely puts some momentum behind RFPs. So, we talked a little bit about that last quarter. And so, I think from our standpoint, anyways, what we're seeing is we're actually able to close some of those RFPs. So that's, I think, the positive for us that they're definitely moving, number one, and that we're able to close. So, as I said, over the last couple of quarters, we've now closed three Top 20 players, one of them being a Tier 1, and we see more or less that opportunity upcoming in the next few quarters. So, I think, Stephen, good news, the sales -- for us anyway, the sales pipeline has definitely opened up, and we're definitely seeing some good activity, as well as some good results.

**Stephen Machielsen**

All right. And final question, there were some restructuring expenses in the quarter. Can you give us some color on how that will impact either OpEx or net revenue margin run rate going forward?

**Brian Lang**

Sure. I'll pass that one over to Rodrigo.

**Rodrigo Pinto**

Sure. Stephen, no impact, right? As the nature of restructuring, those are things that we do from time to time within our business, but it should have no future impact in OpEx or net revenue margins or any other area of the P&L.

**Stephen Machielsen**

Okay. So, no savings to come from it?

**Rodrigo Pinto**

So, the savings, no. No real savings coming from that restructuring adjustment that we made during the quarter.

**Operator**

Your next question is from Gavin Fairweather from Cormark Securities.

**Gavin Fairweather**

Congrats on that Tier 1 title win. Great to see. Maybe just discuss kind of the state of the nation in terms of how they're conducting their title and closing activities today. And then, maybe you can also discuss kind of what kind of ramp in share you're planning for with that new franchise client.

**Brian Lang**

Gavin, thanks for the question. So, this Tier 1 that we're bringing on is right now the biggest bank lender in the U.S. So, we've got quite a bit of enthusiasm to bring that on with the current Tier 1 that we've got on the platform. And so, we've been given very clear direction on what our market share should look like as we start building and ramping the business up. The goal for both ourselves and the customer is to get us to our market share by the end of the year. So, in the past, we've talked around ramping up Tier 1s on our platform that usually in the first year, we look at trying to get the market share up to 5% to 10%. In this particular case, the market share that we've been awarded is greater than 10%. And I would definitely suggest that both our team and our customer team are working very hard to get us to that market share that we won with them in the next 3 to 4 months. So, our goal would be to have that ramped up. And the impact then on the business of that, Gavin, is that, that would really double our current Title revenue -- volume and revenue. So, that's the goal that the team is working on for the next couple of quarters. We also then have, as I mentioned, a couple of Top 25 coming on the platform. So, that will sort of roll out. And again, I think sort of by the

end of the year, we should start seeing that benefit. We will definitely have, I think, ourselves set up incredibly well for 2026. And as I mentioned, we've got some in the pipeline that we think will close before the end of the year. So, 2025, we should see some of that impact by the end of the year. The run rate should be double what we see today, and it's setting us up incredibly well, I think, for 2026.

**Gavin Fairweather**

That's great to hear. Maybe just one follow-up on that. When you think about them being one of the bigger lenders in the U.S., I mean, how active are they on the refinance side versus the purchase side? I mean, how does their volume skew? Maybe not in this market, but in a normal market, what kind of appetite do they have for refi?

**Brian Lang**

I'd say they're pretty balanced. I think they're very similar to most of the other Tier 1 banks anyways, Gavin. So, I don't think there's really a lean one way or another there. They've been consistently good at both purchase and refi. So, I assume that's what we'll see as we start rolling it out.

**Gavin Fairweather**

Okay. Great. And then, lastly for me, maybe for Rodrigo, in terms of the U.S. Appraisal net revenue margins, I mean, you called out a few different factors in terms of geo mix, client mix and product mix. Maybe we can just dig into that a little bit and let us know whether you see any kind of rebound going forward towards the mid or higher end of your ranges on U.S. Appraisal net revenue margins.

**Rodrigo Pinto**

Sure, Gavin. Yes, as you already said, right, net revenue margins will fluctuate based on the distribution of transactions. Our view is that we'll continue to see strong net revenue margins in fiscal 2025, and to stay within our target operating model range, right? Yes, you're going to see ups and downs, but we still believe like between the 26%, 28% is where we'll land in the future.

**Operator**

Your next question is from Martin Toner from ATB Capital Markets.

**Eric Livshits**

This is Eric Livshits in for Martin Toner. So, on the Tier 1 lender front, just wondering whether you have any additional Tier 1s in the pipeline and whether you expect any additional Tier 1 wins in the coming quarters.

**Brian Lang**

Thanks, Eric. I know you're referring to Title. And so, everything going smoothly that will have two Tier 1s on the platform, as I say, hopefully receiving orders at the end of this quarter, start of next quarter. And there's another Tier 1 RFP that is in market, which we are diligently working on. And our view is that, that should come to fruition in the following couple of quarters. It's a little bit smaller than the

two that we have on the platform today, but it is a Tier 1. So, we're working diligently towards that. And as I mentioned, there's a couple of other Top 25 RFPs, what we would historically call Tier 2s that are -- we're also working on. So, that's the grouping. The end result, of course, would be that we'd be having quite a few more Top 25s as we get to the end of the year and enter 2026.

### **Operator**

Your next question is from Robert Young from Canaccord.

### **Robert Young**

You gave us some indication in the past on capacity. I think you had quite a bit of idle capacity in Title. And so, if you're ramping up something, it will double volume. Maybe you can just revisit where you think capacity is today and where it goes, when do you have to start reinvesting there? And I have a couple of more questions.

### **Rodrigo Pinto**

Sure. Rob, I'll take that one. So, yes, again, as we said before, we believe we have 3x to 4x capacity in our Title segment and 30% in Appraisal. Specific for Title, again, doubling the volumes wouldn't reach the capacity we have in the system right now. So, we don't expect to make investments to increase capacity at this point. Again, what it does, Rob, it basically creates -- it shows the operating leverage that we have in the business where we don't need to increase costs at this point based on what we know the volumes we expect from a new client.

### **Brian Lang**

Yes. And you saw that, Rob, a little bit in the first quarter. I mean, we don't talk a lot about Canada, but just because Canada did have good growth in the quarter, you saw that we were up 38% in order volume. And again, incremental net revenue, 90% of that is falling to the adjusted EBITDA line. So, our assumption is you're going to see dynamics like that in the business when volume starts moving up.

### **Robert Young**

Okay. And just to push a little bit deeper on that, I know that when you win these Tier 1s, they're nationwide. And so, you have to have capacity idle to serve a nationwide level of demand. And so, is that the case right out of the gate? Or is the market share allocation regional? Or is there anything that would suggest that you can manage your capacity in a more reasonable way? Or could you find yourself in a situation where you've added Tier 1, you got a second one RFP, is there a situation where you might have to revisit all of this?

### **Brian Lang**

No. I mean, Rob, the deal is, when we've got a national player, Tier 1 like we have right now, the capacity that you have is so that you can cover all of the territory, right, nationwide to make sure you can cover all their needs. So, the idle capacity sort of sits in that. It's not regional. It's not --

there's no real nuance there. And the new volume that we're going to be taking on very clearly is national. So, we're only one of a few national players that they've selected. And so, we know that that's what we're going to be delivering is a very national as opposed to some of the regional players. So, our view is it's going to be very similar to the format and layout that we've got now with the usual little nuances by quarter. But we've got the capacity. We don't expect to increase it, and we should see a decent amount of operating leverage coming into the business once we start seeing these orders.

**Robert Young**

Okay. Great. And then, the market share allocation with this new Tier 1, give us a sense of the way this is allocated across multiple -- I'm just uncertain on the way that an RFP runs. Is it suddenly that there's five new players sharing incremental allocation of share, and then you're fighting on a balanced scorecard to take an unfair share? Or maybe just give a sense of like how many other players there are that are allocated in the same process, just to get a sense of that.

**Brian Lang**

Sure. This is -- I don't want to say it's a clean slate, Rob, but it's actually somewhat close to that. So, previously, they had a few vendors, a few of our competitors that were providing the service for them. Two of them are no longer going to be on the platform. So, they've been removed from the platform. And the one that had the largest share with them has become a much smaller player, a much smaller player. So, they have now introduced a handful of new vendors onto the platform. We've all been given the percentage that we are going to be getting. And so, they are going to ramp. They're going to make that sort of evolutionary change. They would like to make it quite quickly. And it's not surprising since I just let you know a couple of the vendors have now been released off the platform, and the one with the largest share, that's the share that's going to start flowing to the other new vendors. So, they want to do that, frankly, as quickly as appropriate. They're a big bank. So, as you know, they take a little bit of time. But that's why I would say that we are confident that they have made it clear to us they would like us to have our share ramped up to the percentage that they've given us by the end of this year. So, as I said, Rob, earlier, I mean, we usually target to get that 5% to 10% in the first year. We've been allocated more than that 10% share, and that's what they're driving to is to get us to full allocation by the end of the year. That's what drives the doubling of our overall Title business.

**Robert Young**

Great. Okay. That's really helpful. And then, just last question. I know this is a hard one to answer probably, but all of the U.S. administration changes, hearing a lot about just the regulations and regulatory relief on the banks. Maybe give us a summary of what you've seen so far and as much as you can help us understand how things might or might not change, that would be helpful, and I'll pass the line.

**Brian Lang**

Sure. I mean I think we're slightly cautious about making too much of a comment around that right now, Rob. I would say that less regulation, at least for the banks, will probably make them slightly more aggressive. And so, knowing that, that's who we do our big business with, I think there could be a tailwind somewhere in all of that. But as you know, we're going to have to see how rates flow. You saw the movement yesterday. We won't comment on what sort of went on there politically. That all has to find its way through the system. So, we're going to keep running the business, setting it up for the long-term franchise of this organization. You've seen in the Appraisal numbers, you've seen hopefully really solid delivery, continued solid delivery, good management of the business. And on Title, we really think, as I mentioned in my commentary, that we are at an inflection point as far as getting momentum, getting new customers and RFPs actually closed and starting to see some new orders. So, that's really the focus for us, as you know, Rob, and we will be very agile to what ends up going on from a more either political or regulatory standpoint.

**Robert Young**

Congrats on the Tier 1 title win.

**Operator**

[Operator Instructions] Your next question is from Dan Chan from TD Securities.

**Jonathan Wong**

This is Jonathan Wong on for Dan Chan. Just want to get a better sense of the title bump you guys got from the rate cuts in September and October. Can you give us some sense of how much of the volumes you did during the quarter were related to that month?

**Brian Lang**

We're related to -- so the way, Jonathan, this works in the business for us is, when there's an application that comes in and when that application comes in on the title side, there's work to be done, but we don't see our revenue until it closes, which is very similar to the lenders, by the way. So, that is usually, call it, 6-plus weeks after the actual application is when we start seeing the revenue. So, we saw a good chunk of that revenue, as we commented on in the quarter. And so, we would have seen that in, call it, October, November. Unfortunately, the rates then went back up after that first week of October. And so, the volume would have quieted down in the second half of the quarter. So, that's sort of the flow of how we see stuff. And so, that's where, as I say, you saw the 46% growth. A good chunk of that was earlier in the quarter as opposed to later in the quarter.

**Rodrigo Pinto**

That's right. That's right.

**Jonathon Wong**

Okay. Great. And then, just one more for me. I kind of want to dig deeper into the EBITDA margin side on Title. It was pretty consistent quarter-over-quarter. Just wondering how we should be thinking about it from the next quarter and maybe for the rest of the year.

**Rodrigo Pinto**

Yes. I'll take that one. So, Jonathan, again, as we discussed before, we need increasing volumes to improve those margins, right, to dilute fixed costs and all the things that you see in OpEx. Again, as volume starts to go up, you should expect that margin to improve. And again, it depends on the market. Again, we are onboarding a Tier 1. We will get volumes there. So, as soon as you see those volumes going up, adjusted EBITDA margins will improve. And the goal is to get to our target operating model, as we pointed out.

**Operator**

Your next question is from Richard Tse from National Bank Financial.

**Richard Tse**

Yes. I just wondering if you maybe provide some comments with respect to the competitive landscape, I guess, probably more so on Appraisal, but curious on Title as well. And just thinking about from the perspective that these volumes are eventually going to turn, and so, it seems to me that you're sort of better relatively positioned than before. I think there are some players that have left the market, but you haven't sort of talked about that much recently, but just wanted to get your perspective in terms of the competitive landscape here.

**Brian Lang**

Sure. Great question, and thank you for that. So, on the Appraisal side, some of the changes in the competitive landscape sort of have taken place over the last couple of years. So, we would have talked last year about CoreLogic exiting the business. And this past year, we talked about a company called Valuation Connect, which is under Mortgage Connect. They exited the business or at least were sold off. The business was sold off. So, there hasn't really been that much further changes, I would say, from that standpoint on Appraisal. We continue to be the biggest player in the U.S. And so -- and I think we're positioned very well from a market share standpoint to continue to grow our market share. So, I think that's the input I would give around that.

There has been not so much a change in Title. We did mention that one of the competitors in the title space exited this past year a couple of quarters back, which was a company called Doma. So, they were competing in a couple of the Tier 1s. They have now, frankly -- again, their business was sold off, but they have somewhat exited the servicing side of the title business. And also, I mean, I think the big competitive piece for us this past quarter was more once we were able to see who the finalists that have been selected for the Tier 1 are and to see a couple of the players that, frankly, we assumed would continue to service this Tier 1 big competitors of ours that were taken off of their

vendor list and replaced with ourselves and some regional players. I think that was for us a -- frankly, it was a big kudos. We're going to take some kudos for that, that I think, shows that we're positioned very well to continue winning title business.

**Richard Tse**

Okay. And then, just from like a win standpoint, like is the value proposition on the Title side similar to Appraisals in terms around what you offer relative to those competitors?

**Brian Lang**

Yes. So, again, it's back to the network impact and capabilities of our platform that we've got. And so, on Title, that's all about closing -- the whole closing experience for the consumer. And so, again, what I turn to is the current Tier 1 that we've got and our scorecard that we've got with them, we continue to be #1 on their scorecard. And that's because we're delivering a better sort of end consumer experience, but especially around that closing experience, it's something that we can distance ourselves from our competition on, again, just because of the platform and the way we've built out the business. So, that's very similar to the Appraisal network effect that we have on pushing all of our work out to the network and getting them to perform better than any of our competitors.

**Richard Tse**

Okay. And just a last question sort of on competition too, not for yourselves, but your customers. In your MD&A, I think, you make a reference here to some of your customers losing share in the market. Just wondering if you can maybe elaborate on that for us as well.

**Brian Lang**

Sure. Yes. I mean, so we've talked a little bit about this in the past. And what we sort of referenced as a turning point, you're exactly right that some of our Tier 1s have definitely lost share over the last year. What we look to is, number one, we look at the loan production revenue and costs that MBA put out every year. And so, what we experienced, what the Tier 1s experienced through two years was that their loan production revenue costs were higher than their -- sorry, their loan production costs were higher than their revenues. So, frankly, they were actually losing money on every new mortgage that they were taking on their books. So that has changed now. The last two quarters, that has moved into positive territory, which, therefore, of course, for those big banks makes it an option then for them to start reinvesting in, as opposed to focusing on other lines of business, credit cards, investment banking, other parts of the institution. They're definitely now drawing their attention back. And our view is, and they've reiterated with us that they are focusing back on the mortgage space. So, that's sort of the big piece.

And so, right now, they have been challenged from a market share standpoint, but our view is that over the upcoming quarters and years, we're going to see them start stepping back into the market. We had one small view on this in September, October when the rates did go down, we saw some of the biggest Tier 1 lenders in the U.S. stepping competitively into that space with the lowest rates

during that time, which kind of reiterates that they're back to loan production revenue-positive space where they can make money. And so, that's our view. Again, they've reiterated that with us. So, I think we should see that turn over the upcoming quarters, and we should see them start gaining back some of that share they've lost.

**Richard Tse**

Who are those money-losing mortgages going to when it comes to share?

**Brian Lang**

Well, listen, I think the big -- what happens in a market like we've just gone through is the non-banks step in because you have to remember that non-banks, this is their business. Mortgage is their business. These big bank lenders, they've got multiple business lines that they can pull on everything, as I mentioned, from credit cards to lines of credit to all those other products. The non-banks, this is what they focus on. So, it's not surprising to us that our customers have given up a bit of share through this time. It gets very price competitive, and a lot of the non-banks step in. So, I mean, good news for us, our overall portfolio is in reasonable shape. We've got a 50-50 type portfolio, non-bank to bank, but definitely non-banks would have stepped in more here. Unfortunately, the benefit to the non-banks, but the loss to the Tier 1s.

**Operator**

Your next question is from Steven Li from Raymond James.

**Steven Li**

Brian, the competitive dynamics you just described on this new Tier 1, and I understand there's usually a ramp at the beginning, so it's going to take a few quarters. But at steady state with this new Tier 1, would you fully expect to have a higher market share compared to what you have with your current Tier 1?

**Brian Lang**

If I can, Steven, can I go at that slightly different, slightly different angle in that the Tier 1 that we are onboarding is quite a bit bigger than the Tier 1 that we've currently got. So, they are doing quite a bit more overall volume in the market. They have more market share than our current Tier 1. So, our market shares are somewhat similar to the target that we've got with the new one and where we are with the existing one. I think that's less relevant because one is quite a bit bigger. So, that's why when we say, Steven, our view is that by the end of this year, when we get to our market share target with our new Tier 1, our view is that volume will be equal, if not bigger, to the Tier 1 that we've currently got on the platform, which will double our -- more or less double our Tier 1 business with the help of a couple of these other Top 25 players that are joining the platform.

**Operator**

Thank you. There are no further questions at this time. The question-and-answer session is now closed. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect your lines.