



Real Matters Annual Shareholder Meeting - Transcript

February 2, 2023

Corporate Participants

Jason Smith, *Executive Chairman*

Brian Lang, *Chief Executive Officer*

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

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

Presentation

Jason Smith:

Good morning, everyone, and welcome to the Real Matters Annual Meeting of Shareholders. I am Jason Smith, the executive chairman of Real Matters. I will act as chair of the meeting. This meeting is now called to order. I would like to extend a warm welcome to our shareholders, duly appointed proxy holders and guests joining virtually. From the management team, I am joined by Brian Lang, our Chief Executive Officer, William Herman, our Executive Vice President and Chief Financial Officer, Lyne Beauregard, our Vice President Investor Relations and Corporate Communications, and Jay Greenspoon, our General Counsel and Corporate Secretary.

Jay will act as secretary of today's meeting. Jennifer Huff of Broadridge will act as scrutineer for today's meeting. The agenda for this meeting is visible to those attending through the virtual meeting web portal. After the conclusion of the formal portion of the meeting, Brian Lang will provide a short presentation and then the company's management will answer questions from shareholders and duly appointed proxy holders about the company. Such questions may be submitted through the ask a question text box provided on the web portal. Though we may not be able to answer every question, we will do our best to provide a response to as many as possible in accordance with the rules of conduct posted under meeting materials. With that, I would like to move forward with the official proceedings.

In terms of voting procedure, each shareholder is entitled to one vote for each common share held. If a shareholder or duly appointed proxy holder has a question about a matter on the agenda to be voted upon, such question may be submitted in the ask a question text box provided on the web portal at or before the time the matter is before the meeting for consideration. We will answer

questions on any matters on the agenda to be voted on by shareholders or duly appointed proxy holders at the meeting before the voting is closed.

Any shareholder or duly appointed proxy holder who is not yet voted or who wishes to change their vote may do so by clicking on the vote here button on the web portal and following the instructions. If you have previously sent in a proxy or voted via telephone or internet and do not wish to change your vote, you do not need to take any further actions. Only registered shareholders or duly appointed proxy holders in attendance at the meeting will be able to vote. The Scrutineer will report to me on the number of shareholders and the number of shares represented in person or by proxy at the meeting and will also compute the votes cast through the web portal at this meeting.

Prior to the commencement of this meeting, I received the preliminary scrutineers as report The preliminary preliminary scrutiny years' report on attendance at the meeting is as follows. There are a total of 1,125 holders represented in person or by proxy holding 45,283,573 Common Shares representing a total of 62.29% of the issued and outstanding shares. I declare that the requisite quorum of shareholders is present and that the meeting is properly constituted for the transaction of business. I direct that the Scrutineers' report on attendance be annexed to the minutes of the meeting.

With respect to the mailing of materials to shareholders, I have a statutory declaration from Broadridge attesting to the service of the applicable meeting materials and I directed the statutory declaration be annexed to the minutes of this meeting. The agenda for motions to be submitted to shareholders at this meeting is contained in the notice of meeting. The meeting of materials were made available to shareholders using the notice and access procedures permitted by Canadian securities laws. Copies of these materials are also available under the investor section of the company's website at realmatters.com or on the company's SEDAR profile at sedar.com.

The next item of business concerns the audited consolidated financial statements of Real Matters for the financial year end, September 30th, 2022. On behalf of the directors, I now place before the meeting the audited consolidated financial statements and report of the auditors there on for the financial year ended September 30th, 2022. We will now proceed with the election of directors. The board of directors have fixed the number of directors to be elected at the meeting at seven.

I would now ask for the nomination of the person's named in the management information circular for election as directors for the coming year, each of whom has agreed to serve if elected in the absence of contrary instructions, the person named in the form of proxy accompanying the management information circular intends to vote for the election of each of the seven nominees named in the management Information circular.

William Herman

I am a shareholder and I nominate the following individuals to hold office until the close of business of the next annual meeting of shareholders: Garry Foster, Brian Lang, Karen Martin, Frank McMahon, Lisa Melchior, Jason Smith and Peter Vukanovich.

Jason Smith

In accordance with Real Matters bylaws and any shareholder wishing to nominate additional persons for election to the board of directors at this meeting was required to provide notice of such nomination in advance of the meeting. As no further nominations were presented to the company, I declare nominations closed. We will now vote for the election of directors. Any shareholder or duly appointed proxy holder who has not yet voted or who wishes to change their vote with respect to the election of directors may do so now by clicking on the Vote Here button on the web portal and following the instructions. We will now proceed with the appointment of the auditor. Deloitte LLP has served as the auditor of Real Matters since 2012.

William Herman

I am a shareholder and I move that Deloitte LLP be appointed as the auditor of Real Matters to hold office until the close of business of the next annual meeting of shareholders and that the directors be authorized to fix the auditor's remuneration.

Jason Smith

Any shareholder or duly appointed proxy holder who has not yet voted or who wishes to change their vote with respect to the appointment of the auditor may do so now by clicking on the Vote Here button on the web portal and following the instructions. Now that everyone has had the opportunity to vote, I now declare the polls closed. Based on the preliminary vote report received from the scrutineer, I declare that each of the nominees set out in the management information circular has been duly elected as a director of Real Matters and that Deloitte LLP has been appointed to serve as the auditors of the company.

The final vote results will be reported on the company's SEDAR profile following the meeting. I would also like to take this opportunity to personally thank Bill Holland for his many years of contributions to the company. As there is no further business to be brought before the meeting, I now declare the meeting adjourned. I will now turn the floor over to Brian Lang to provide a short presentation.

Brian Lang

Thank you, Jason, and good morning everyone. Please note that my presentation may contain forward-looking statements and non-GAAP measures. Please see our filings for more details. Turning to slide six for those following along on the webcast, in fiscal 2022, we reported consolidated revenues of \$339.6 million net revenue of \$85.4 million and adjusted EBITDA of \$7.4 million. Fiscal 2022 was a challenging year for our industry. Following a period of historically low interest rates and elevated mortgage origination volumes in 2020 and 2021, the U.S. mortgage market suffered from record home price appreciation, low housing inventory, and rapidly rising interest rates in the second half of 2022, all of which led to a steep decline in mortgage origination volumes in fiscal 2022, the likes of which we haven't experienced in several decades.

Despite these unprecedented market headwinds, we continue to focus on the core fundamentals of our business by growing market share with existing clients, launching new clients, achieving top performance on lender scorecards and actively managing our costs. The cyclical nature of the mortgage market is nothing new to us. It's the very reason we built a business that could weather the peaks and valleys and why we prioritize long-term objectives and profitability. It's why we focus

on building market share with large blue-chip clients that are driven by performance metrics and why we created a platform that would allow us to scale up and down with a lower cost to serve than our competitors.

In fiscal 2022, we launched a total of 27 new lenders across all three segments and we increased market share with our five largest U.S. Appraisal clients by an average of six percentage points. We also marked a major milestone by surpassing 50% market share with one of our Tier 1 lenders in U.S. Appraisal. Our market share gains with clients were the direct result of our performance as we continued to rank at the top of lender scorecards in both appraisal and title, expanding our leadership position. We ended the year with more than \$46 million of cash on our balance sheet and no debt. We continue to focus on managing our costs in line with market volumes and keeping the business EBITDA neutral on a full year basis through this part of the mortgage market cycle.

Turning to slide seven, we closed out the year with U.S. Appraisal purchase market share of 4.1%, which compares to 4.4% at the close of fiscal 2021 and U.S. Appraisal refinance market share of 12.1%, up from 9.9% at the end of fiscal 2021. As you know, our respective market shares will shift in line with the mix of business of our client base, some of whom have historically been more weighted toward refinance. When taking into consideration the shift in purchase market share of our clients, our purchase appraisal market share for fiscal 2022 would have been higher. In fiscal 2022, we launched 14 new lenders and two existing clients in new channels in U.S. Appraisal, including a Tier 1 lender in the home equity channel, and as I mentioned earlier, we surpassed 50% market share with one of our Tier 1 lenders, which was an important milestone for the company.

We remain confident that we can grow our appraisal business to achieve our fiscal 2025 market share objectives, which in a normalized market would allow us to deliver our target net revenue margins of 26% to 28% and adjusted EBITDA margins of 65% to 70%. As you can see, based on our historical performance, our business is built to scale. We can drive significantly higher margins when volumes increase, and so as we continue to win market share with our clients, even in this lower market environment, we are positioning ourselves for growth on the other end of this market cycle.

Turning to slide eight, in U.S. Title, we launched seven new lenders in fiscal 2022 and we ended the year with U.S. Title market share of 1.2%, down from 1.8% at the end of fiscal 2021. Our U.S. Title market share was impacted by changes in our client portfolio. That said, our performance remained at the top of lender scorecards in fiscal 2022. Our sales team was highly engaged with existing and potential new clients at the annual Mortgage Bankers Association Convention last fall, discussing how we can leverage our capabilities to better serve their needs and strategically expand our relationships, particularly in title.

Our focus remains on leveraging our current performance and various strategies to onboard new clients and build franchise value for the long term. Similar to our appraisal business, U.S. Title has already demonstrated its ability to generate significantly higher margins in a higher volume environment. We maintain a long-term view of our investment in title and the significant opportunity it represents for Real Matters. Our existing client base and performance track record with lenders represents a tremendous asset and a significant opportunity for growth, and so we continue to execute on our plan to triple our U.S. Title refinance market share from fiscal 2020 levels to 6% to 8%

by the end of fiscal 2025 and achieve net revenue margins of 60% to 65% and adjusted EBITDA margins of 50 to 55%.

Turning to slide nine, I'd like to take stock of where we are on our fiscal 2025 strategic roadmap. As you'll recall in the fall of 2020, we laid out the strategy that would drive our growth through fiscal 2025. What we didn't know at the time was where interest rates would be and what would happen in the mortgage market, but for our business, not being able to call interest rates and mortgage market volumes has been a constant since the company's inception. That's why we set our goals based on the things that we can control.

We are now two years into our five-year plan, and we are confident that we are on the right path to achieve the goals we set forth in 2020. The U.S. mortgage market may have thrown us a curve ball by declining at a much steeper and faster pace than anyone could have predicted, but that hasn't changed our view of the opportunity that lays ahead of us, and more importantly, it hasn't changed our strategy. That said, we believe that the refinance market will return to more normalized levels in the future and we remain confident in our ability to scale the business to meet the demand of higher market volumes.

We continue to build on our leadership position in US appraisal, which is grounded in performance to grow market share. We are also leveraging our performance equity with long-standing, blue-chip clients to expand into title, and we are keeping an eye on the long-term opportunity of monetizing our data in new verticals that would ultimately expand our addressable markets and help balance some of the cyclicity of our existing business. In the near term, given market conditions, we are being prudent with our capital resources.

With a strong balance sheet and no debt, Real Matters has the financial strength to manage through the current downturn in the mortgage market. We continue to be focused on keeping the business EBITDA neutral on a full year basis through this part of the mortgage market cycle, and we are building market share to support our growth over the longer term.

I'd like to conclude my remarks today by recognizing our team for the incredible job they have done over the course of a challenging year to ensure our business remains on solid footing and position for growth on the other side of this cycle. We also remain thankful for the dedication and commitment of the field professionals on our network, the continued trust of our clients and the ongoing support and encouragement of our board of directors and long-term shareholders.

With that, we'd like to open it up for questions now. If you have not yet submitted a question but wish to do so, please do so now by submitting your question through the Ask a Question text box provided on the web portal. As a reminder, only shareholders or duly appointed proxy holders in attendance at the meeting will be able to ask questions. Lyne, do we have any questions from shareholders?

Lyne Beauregard

We don't. Let's just pause maybe for a few seconds to allow people to type in their questions.
[PAUSE] Brian, we have no questions on the portal, so I guess that concludes our meeting for the day. Thank you very much for joining our shareholder meeting. Have a wonderful day.

Brian Lang

Thank you.