



Real Matters Annual General Meeting - Transcript

January 31, 2022

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 Matter's annual general meeting of shareholders. I'm 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 and Jennifer Huff from 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 a 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 action. 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 scrutineer's report. The preliminary scrutineer's report on attendance at the meeting is as follows. There are a total of 1,535 holders represented in-person or by proxy holding 50,377,332 common shares representing a total of 64.31% 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 scrutineer's 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 direct that the statutory declaration be annexed to the minutes of the meeting. The agenda for motions to be submitted to shareholders at this meeting is contained in the notice of meeting. The meeting materials were made available to shareholders using the notice and access procedures permitted by Canadian Securities Law. Copies of these materials are also available under the investor's section of company's website at www.realmatters.com or on the company's SEDAR profile at www.sedar.com.

The next item of business concerns the audited consolidated financial statements of real matters for the financial year ended September 30th, 2021. On behalf of the directors, I now place before the meeting, the audited consolidated financial statements and report of the auditors thereon for the financial year ended September 30th, 2021. We will now proceed with the election of directors. The board of directors has fixed the number of directors to be elected at the meeting at eight. I would now ask for the nomination of the person's name in the management information circular for election of directors for the coming year, each of whom has agreed to serve if elected. Unless authority to vote is withheld, the person named in the form of proxy, accompanying the management information circular and tends to vote for the election of each of the eight 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 general meeting. Gary Foster, William Holland, Brian Lang, Karen Martin, Frank McMahon, Lisa Melchior, Jason Smith and Peter Vukanovich.

Jason Smith:

In accordance with Real Matter's bylaws and any shareholder wishing to nominate additional persons for election to the board of directors at this meeting, it was required to provide notice of such nomination in advance of the meeting. As no further nominations were presented to the company, I declared 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 general meeting and that the directors be authorized to fix the auditor's remuneration.

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 [inaudible] profile following the meeting. I would also like to take this opportunity to personally thank Blaine Hobson for as many years of contribution to the company and officially welcome our newest board member, Karen Martin. 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.

Brian Lang:

Thank you, Jason and good morning, everyone. Please note that my presentation may contain forward looking statements and non-GAAP gas measures. Please see our filings for more details. With that, looking back at our financial performance for fiscal 2021, consolidated revenues were up 10.6% to \$504.1 million. We generated net revenue of \$164.3 million and adjusted EBITDA of \$59.2 million in fiscal 2021. With a very strong client base and a proven performance track record, we are poised to extend our client relationships in title and grow market share in both appraisal and title. Real Matters is well positioned to continue executing on our strategic plan of doubling our U.S. appraisal market share and tripling our U.S. title market share from fiscal 2020 levels by the end of fiscal 2025. In fiscal 2021, we continue to rank at the top of lender scorecards in U.S. appraisal, 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. In U.S. title, we were very pleased with our performance and the market share progression with our new

title clients. We drove strong performance with our tier one client and a new tier two lender that resulted in market share in the double digits with these clients in the retail channel at year-end.

We are building a strong foundation with these and other franchise clients and we continue to look at opportunities to leverage our performance equity with them to enter new channels and to onboard new title clients. Our Canadian segment delivered strong performance in fiscal 2021 setting record earnings and extending our market share with our Canadian bank clients. Our business has demonstrated considerable growth since going public in 2017. Consolidated revenues have increased 66%. Net revenues were up 78% and we have grown adjusted EBITDA more than five-fold from \$9.4 million to \$59.2 million. In U.S. appraisal, fiscal 2021 was a record year. U.S. appraisal origination revenues were up 18.7% compared with an estimated market increase of 7.4%. We grew market share with our top clients over the course of fiscal 2021 and ended the year with purchase market share of 4.4% and refinance market share of 9.9%. Our share of each market was driven in part by shifts in our client share of the purchase and refinance markets. Today, we service all of the tier one lenders, nine of the top 10 bank mortgage lenders and five of the top 10 non-bank lenders. Our U.S. appraisal business generated more revenues in fiscal 2021 than our consolidated business reported in fiscal 2017.

Since going public in 2017, our US appraisal revenues have grown at a CAGR of 15%, net revenue has increased at a CAGR of 20% and we have increased adjusted EBITDA nearly seven-fold, demonstrating our ability to scale and drive incremental margins over the long term. Fiscal 2021 was a milestone year for our U.S. title business as we rolled out our first tier one client and a new tier two client and achieved double digit market share in the retail channel with each of these clients. We ended the year with market share of 1.8% and centralized title revenues were up 6.7% compared with an estimated increase in refinance market volumes of 24.7% as a result of our strategic decision to focus on the long game. Our centralized title volumes have more than tripled since fiscal 2017 and centralized title revenues have grown at a CAGR of 28.2%. U.S. title net revenue has grown at a CAGR of 13% and adjusted EBITDA at a CAGR of 23% over that same period, despite having rationalized the diversified title business into the growth of centralized title, which represented a third of this segment in fiscal 2017. We continue to be squarely focused on our fiscal 2025 strategic objectives that we communicated at our investor day in November, 2020. We remain confident that we can grow our appraisal business to achieve a doubling of our US appraisal purchase and refinance market share from fiscal 2020 levels and deliver net revenue margins of 26% to 28% and adjusted EBITDA margins of 65% to 70%.

We continue to execute on our plan with a long-term view of the business 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%. Since going public in 2017, we've returned significant value to shareholders by purchasing 17% of the issued and outstanding shares at IPO. And at the end of the first quarter of fiscal 2022, we had more than \$70 million of cash on our balance sheet at the end of the first quarter. As I mentioned on our quarterly

conference call this past Friday, our view is that the current trading price of our shares is not reflective of the value of our business, which presents an opportunity to return value to shareholders through share purchases under our current NCIB. As we said in the past, we will continue to be prudent with our capital and our resources making trade-offs in the short term to meet our long-term goal and to set ourselves up for continued success. We believe our platform provides significant operating leverage to drive improved profitability with scale. We will not be distracted by short-term market movements and will continue to do the right thing for the long run. We focus on the things we can control in order to consistently outperform our competitors, grow market share with our clients and attract and retain strategic customers. We believe that the true value of our business will be realized by building a business that can weather the peaks and valleys and grow over the long term.

I'd like to conclude my remarks today by recognizing the Real Matters team for a ground-breaking fiscal 2021 where we continue to win in our appraisal and title businesses. We also remain thankful for the dedication and commitment of the field professionals on our network, the continued trust of our clients and the continued 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:

Thank you, Brian. Our first question is: why has your share price declined over the last year? What are investors missing?

Brian Lang:

Thanks Lyne. I'll take that one. So our stock price is not trading where we'd like or expected to be. And as I've just mentioned, when you take a look back historically at the objectives that we set at IPO and how we've delivered on those objectives and when we take a look out to the future and our goals that we've set for 2025, we believe that that some of the investors are sort of missing that long-term value of the business. And Lyne, I assume that's due to the higher interest rate environment and some of the mortgage market headwinds that we're seeing in the very short term. And of course, that's why we've been buying back shares through NCIB. And as I mentioned, in fiscal 2021, we purchased 7.3 million shares at a cost of just under a hundred million at \$97.8 million. And by the end of our first quarter this year, fiscal 2022, we have now purchased 17% of the outstanding shares of the company since going public.

Lyne Beauregard:

Thank you, Brian. Our next question is: what steps have you taken to promote the company?

Brian Lang:

Well, we've got a very busy investor relations team and a very busy schedule this past year. So if I take a look back at fiscal 2021, we participated in over 200 investor meeting and a good proportion of those were with new investors. We also attended quite a few investor conferences. We were quite active on social media. As you'll remember, we hosted our biannual investor day at the start of 2021. And that was attended by, I think it was 290 investors, which was twice as many as the first investor day that we had. So we've been very busy with the investment community, which has produced an increasing U.S. ownership, which moved from 24% in fiscal 2020 and we are now sitting at US ownership of 30%. So we've really, I think, done a decent job of diversifying our investor base.

Lyne Beauregard:

Thanks, Brian. Our next question here is: can you still achieve your fiscal 2025 objectives, or do you need to revise your strategy and objectives?

Brian Lang:

No, I mean, we feel very determined and we feel our 2025 objectives are very achievable as we've laid out. So again, doubling appraisal market share, tripling title market share, both of those, if we look back at our performance from 17 to 21, we can see how we've moved the needle considerably with share, especially in the appraisal business, but also in our title business. And so the market share targets, Lyne, continue to be very achievable from our standpoint. And also the margin targets, again, in appraisal of getting our net revenue target 26% to 28% and our EBITDA-adjusted EBITDA targets 65% to 70%, all of those we think are very achievable. On the title side, that would get us to 60% to 65% net revenue margins and 50% to 55% adjusted EBITDA. The Team is very focused on those things, as I mentioned, that we can control. And so I think we, as a team, are determined and feel that those goals are absolutely achievable.

Lyne Beauregard:

Thank you, Brian. There are no more questions in queue. So that concludes our meeting for today. Thank you very much to everyone for joining us and have a great day.