



Real Matters Annual Shareholder Meeting - Transcript

February 8, 2024

Corporate Participants

Jason Smith, *Chairman of the Board*

Brian Lang, *Chief Executive Officer*

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

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

Jay Greenspoon, *General Counsel and Corporate Secretary*

Other Participants

Lisa Allan, *shareholder*

Formal Meeting

Operator

Ladies and gentlemen, thank you for standing by. I would like to welcome everyone to the Real Matters Inc. Conference call. At this time, all lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. Thank you. I'll now hand the call over to Jason Smith, Chairman of the Board of Real Matters. You may begin your conference.

Jason Smith

Good morning everyone, and welcome to the Real Matters Annual Meeting of Shareholders. I am Jason Smith, the Board Chair of Real Matters. I will act as chair of the meeting, and 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'm joined by Brian Lang, our Chief Executive Officer; Rodrigo Pinto, 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 has 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 1,262 holders represented in person or by proxy, holding 49,454,969 common shares, representing a total of 67.8% 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 this 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 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 sedarplus.ca.

The next item of business concerns the audited consolidated financial statements of Real Matters for the financial year ended September 30th, 2023. 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, 2023.

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 seven. I would now ask for the nomination of the persons 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.

Lisa Allen

This is Lisa Allen, and I'm 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, 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 external auditor. Deloitte LLP has served as the external auditor of Real Matters since 2012.

Lisa Allen

This is Lisa Allen, and I'm a shareholder, and I move that Deloitte LLP be appointed as external 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 external auditor's remuneration.

Jason Smith

Any shareholder or duty appointed proxy holder who has not yet voted or who wishes to change their vote with respect to the appointment of the external 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 external auditor of the company. The final vote results will be reported on the company's SEDAR+ profile following the meeting.

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 the short presentation. Brian?

Management 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 2023, Real Matters made further inroads with our clients by delivering top-of-scorecard performance, expanding our channel penetration across all segments and deepening our relationships to build franchise value for the long term, despite significant market headwinds. We focused on preparing for scale by optimizing our network, our platform, and our team, and making the business more efficient at scale. We have kept our commitment to shareholders by focusing on what we can control and running our business with a long-term view.

By historical standards, 2023 was one of the most challenging markets we've faced as a company and as an industry. Inflation, rapidly rising interest rates, a sustained increase in home price appreciation, low housing inventory and continuing economic uncertainty have driven mortgage market volumes down to levels we haven't experienced in this industry in almost three decades and certainly in our time as a public company.

We've said this before, but it bears repeating, especially in today's environment, 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 2023, the company reported consolidated revenues of \$163.9 million, net revenue of \$43 million and an adjusted EBITDA loss of \$2.4 million. We launched 20 new lenders and 13 new channels across the businesses and advanced the sales pipelines with a particular focus on title. Despite the challenging market environment, we posted positive net income in the fourth quarter of fiscal 2023 and positive consolidated adjusted EBITDA in the last six months of fiscal 2023. We managed our cost base and improved our operational efficiency to better align with the lower market environment, reducing our consolidated operating expenses by more than 41% year-over-

year. We are now operating with the lowest cost structure we've had since going public, a prime example of what our platform is capable of delivering.

Turning to slide seven, we ended the year with 4.1% U.S. Appraisal purchase market share, flat from fiscal 2022, and U.S. Appraisal refinance market share of 10.4%, down from 12.1% in fiscal 2022. 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. We believe our tier one lenders who account for the majority of our revenues were disproportionately impacted by the decline in the U.S. mortgage origination market in fiscal 2023. We increased our market share with our tier one clients on average by 10% in fiscal 2023. The tier ones are large lenders, both bank and non-bank, who value performance, and they continue to represent a significant opportunity for market share growth for Real Matters.

We increased U.S. Appraisal net revenue margins by 530 basis points to 27.4% in fiscal 2023 as a result of our operating model, posting our highest annual net revenue margin since going public, landing squarely in the range of our fiscal 2025 target of 26-28%. We remain confident that we can grow our U.S. 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 26-28% and adjusted EBITDA margins of 65-70%.

Turning to slide eight, we went live in a second channel with our tier one lender in U.S. Title at the end of the fourth quarter and ended the year with overall market share of 0.5% in U.S. Title. Despite the 74% decline in top line revenues, we reported an adjusted EBITDA loss of \$8.3 million compared with a loss of \$8.1 million in the prior year, principally because we reduced our operating expenses by 61% year-over-year. Our Title business today is more efficient than ever and we can now scale the business at a lower cost.

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 the compelling opportunity Title represents for Real Matters. Our team continues to advance the pipeline with an optimistic view of adding new lenders and increasing our market share. Given the efficiency of operations, we remain well positioned for a variety of volume scenarios over the medium and long term. We continue to execute on our plan to triple our U.S. Title refinance market share from fiscal 2020 levels to 6-8% by the end of fiscal 2025 and achieve net revenue margins of 60-65% and adjusted EBITDA margins of 50-55%.

Turning to slide nine, our fiscal 2025 strategic roadmap remains the same. Build on our leadership position in U.S. appraisal to grow market share; leverage our performance equity with longstanding blue chip clients to expand into title; and longer term, monetize our data in new verticals that would ultimately expand our addressable markets and help balance some of the cyclicity of our existing

business. Our operations are optimized, and we have the capacity to scale up with our existing cost base when market conditions improve.

Overall, I'm very confident about our competitive position. We have a greater share of our clients' business in more channels and across more products than ever. It's important to remember that the progress we've made should provide a tailwind for our financial performance when the market turns. Our focus is on long-term growth as it always has been. We believe in the long-term earnings potential of our business and we remain focused on our fiscal 2025 objectives.

Thank you to our team for their ongoing commitment to our success and to the extraordinary field professionals on our network, both of whom continue to go above and beyond for our clients. We also remain thankful for 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've 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. No, we do not have any questions at this time.

Okay, so I guess that concludes the meeting for this morning. Operator?

Okay, I guess that concludes the meeting for this morning. Thank you very much for everybody for tuning in and dialling in and have a great day. Thank you.

Brian Lang

Thank you.

Operator

Thank you. This concludes today's conference call. You may now disconnect. Thanks.