



Real Matters Reports Third Quarter Financial Results and Establishes Target Operating Model

(all amounts are expressed in millions of U.S. dollars, excluding per share amounts and unless otherwise stated)

TORONTO (August 1, 2024) – Real Matters Inc. (TSX: REAL) ("Real Matters" or the "Company"), a leading network management services platform for the mortgage and insurance industries, today announced its financial results for the third quarter ended June 30, 2024, and the establishment of its target operating model.

"Consolidated Adjusted EBITDA^(A) increased 132% quarter-over-quarter to \$1.7 million and we outpaced the market in the third quarter on a year-over-year basis, principally as a result of higher volumes and strong operating leverage in our U.S. Appraisal and Canadian segments," said Real Matters Chief Executive Officer Brian Lang. "Consolidated Net Revenue^(A) increased 14% quarter-over-quarter as we maintained strong Net Revenue^(A) margins in our U.S. Appraisal segment and increased our Canadian segment Net Revenue^(A) margin to a near-record high 19%."

"We are establishing a simplified target operating model that is not time-bound, with the same Net Revenue^(A) and Adjusted EBITDA^(A) margin target ranges that were outlined in our fiscal 2025 targets, contingent on our mortgage origination volumes. Our strategy has been to position our business to thrive in the peaks and to withstand valleys of the cyclical mortgage market. What remains outside our control is the inherent uncertainty in calling interest rates and corresponding mortgage market volumes during any given period." added Lang. "Today, more than 24% of outstanding mortgages in the U.S. have an interest rate above 5%, and the pool of refinance candidates continues to build. We remain confident that the U.S. mortgage origination market represents a significant opportunity for our business and our operations are well positioned for a market recovery. We look forward to leveraging our model to continue to demonstrate the thru-cycle earnings potential of our business in line with our focus on scale and market share growth."

Q3 2024 Highlights

- Consolidated revenues of \$49.5 million, up 17% quarter-over-quarter
- Consolidated Adjusted EBITDA^(A) of \$1.7 million and net income of \$1.7 million
- Strong operating leverage in U.S. Appraisal and Canada
- Year-over-year market share gains with 4 of our top U.S. Appraisal clients
- Year-over-year market share gains with Tier 1 lender and launched 1 new client in 2 channels in U.S. Title
- Year-over-year market share gains with 2 of our top clients in Canada
- Cash and cash equivalents of \$41.4 million and no outstanding debt

FISCAL 2025 TARGETS AND TARGET OPERATING MODEL

In November 2020, we set targets to achieve by the end of fiscal 2025 ("Fiscal 2025 Targets") which were contingent on a number of principal assumptions as outlined in our MD&A for the three and nine months ended June 30, 2024. Since establishing the Fiscal 2025 Targets, the U.S. mortgage origination market has undergone unprecedented changes which have had a significant impact on these assumptions.

Rapidly rising mortgage rates, high inflation, reduced affordability, and broader macroeconomic concerns drove significant declines in mortgage origination volumes from fiscal 2021 to today. Current mortgage origination volumes remain at levels that are well below 30-year historical lows, and well below the total addressable market ("TAM") volume expectations upon which our Fiscal 2025 Targets were contingent. The significant decline in mortgage origination volumes since fiscal 2021 has also slowed the sales cycles which delayed the launch of additional Tier 1 clients in U.S. Title, and shifted market share among mortgage lenders, adversely impacting our market share in U.S. Title and U.S. Appraisal, respectively. Following our most recent 2025 budgeting process where we updated our market assumptions based on current economic conditions and external forecasts, we have determined that it is unlikely that the TAM volumes required in fiscal 2025 for us to achieve our Fiscal 2025 Targets will materialize. In Canada, we surpassed our Adjusted EBITDA^(A) margin target in fiscal 2023 and we are on course to achieve our Net Revenue^(A) margin target based on our performance for the nine months ended June 30, 2024.

In light of these circumstances, we are updating the assumptions related to our U.S. Appraisal and U.S. Title Net Revenue^(A) and Adjusted EBITDA^(A) margin targets to make them contingent upon achieving a range of transaction volumes, irrespective of market size or market share. We are also providing absolute dollar target ranges for U.S. Appraisal and U.S. Title Adjusted EBITDA^(A).

Accordingly, we are withdrawing our Fiscal 2025 Targets for market share, Canadian and Corporate segments, and conversion of Adjusted EBITDA^(A) to free cash flow. Our revised targets, outlined in the table below (the "Target Operating Model"), supersede our Fiscal 2025 Targets and reflect our expectations of the profitability of our business at higher volume levels.

Target Operating Model

	U.S. Appraisal Segment	U.S. Title Segment
<i>Real Matters annual mortgage origination transaction volume assumption</i>	550,000 - 620,000	120,000 - 150,000
Targets:		
Net Revenue ^(A) margin	26% - 28%	60%-65%
Adjusted EBITDA ^(A) margin	65% - 70%	50% - 55%
Adjusted EBITDA ^(A)	\$50 - \$65 million	\$30 - \$45 million

The following assumptions were used to determine the Target Operating Model:

- Real Matters' annual mortgage origination transaction volumes between 550,000 to 620,000 in our U.S. Appraisal segment and 120,000 to 150,000 in our U.S. Title segment;
- No changes in laws and regulations in the U.S. mortgage industry that materially adversely impact our business;
- No material changes in the pricing or profitability for our services;
- No material fluctuation of volumes attributable to home equity, REOs, default, diversified or flood services;
- Our ability to continue leveraging our platform to improve Net Revenue^(A) and Adjusted EBITDA^(A) margins; and
- No impact from acquisitions, dispositions or re-segmentation of existing segments.

We believe the Target Operating Model will better assist investors in understanding our current objectives, strategic priorities, and expectations for the future. Our focus remains on the long term, and we continue to believe in our ability to continue to grow volumes and generate significant earnings with scale.

Financial and Operational Summary

	Quarter ended						% Change ¹		Nine months ended		%
	2024	2024	2024	2023	2023			2024	2023	Change ¹	
	Q3	Q2	Q1	Q4	Q3	Quarter over Quarter	Year over Year	June 30	June 30	Year over Year	
Consolidated											
Revenue	\$ 49.5	\$ 42.2	\$ 35.4	\$ 42.2	\$ 46.0	17%	8%	\$ 127.1	\$ 121.7	4%	
Net Revenue ^(A)	\$ 13.1	\$ 11.5	\$ 9.7	\$ 11.2	\$ 12.1	14%	8%	\$ 34.3	\$ 31.8	8%	
Adjusted EBITDA ^(A)	\$ 1.7	\$ 0.7	\$ (1.1)	\$ 0.6	\$ 1.7	132%	-1%	\$ 1.3	\$ (3.0)	144%	
Net income (loss)	\$ 1.7	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	-18%	383%	\$ 0.2	\$ (7.8)	103%	
Net income (loss) per diluted share	\$ 0.02	\$ 0.03	\$ (0.05)	\$ 0.02	\$ (0.01)	-33%	300%	\$ 0.00	\$ (0.11)	100%	
Adjusted Net income (loss) ^(A)	\$ 1.7	\$ 1.3	\$ (1.2)	\$ 0.8	\$ 1.0	31%	70%	\$ 1.8	\$ (3.0)	160%	
Adjusted Net income (loss) ^(A) per diluted share	\$ 0.02	\$ 0.02	\$ (0.02)	\$ 0.01	\$ 0.01	0%	100%	\$ 0.02	\$ (0.04)	150%	
U.S. Appraisal segment											
Revenue	\$ 37.5	\$ 32.6	\$ 26.8	\$ 31.2	\$ 33.5	15%	12%	\$ 96.9	\$ 89.7	8%	
Net Revenue ^(A)	\$ 10.3	\$ 9.2	\$ 7.5	\$ 8.6	\$ 9.2	12%	12%	\$ 27.0	\$ 24.6	10%	
Net Revenue ^(A) margin	27.6%	28.3%	27.9%	27.5%	27.5%			27.9%	27.4%		
Adjusted EBITDA ^(A)	\$ 5.5	\$ 4.4	\$ 2.7	\$ 3.9	\$ 4.8	25%	15%	\$ 12.6	\$ 10.3	23%	
Adjusted EBITDA ^(A) margin	53.2%	47.9%	35.8%	46.0%	52.0%			46.6%	41.7%		
U.S. Title segment											
Revenue	\$ 2.1	\$ 2.0	\$ 2.0	\$ 2.3	\$ 2.6	5%	-18%	\$ 6.2	\$ 7.2	-14%	
Net Revenue ^(A)	\$ 0.9	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.2	4%	-21%	\$ 2.8	\$ 2.8	-1%	
Net Revenue ^(A) margin	43.6%	44.0%	47.3%	45.0%	45.2%			45.0%	39.1%		
Adjusted EBITDA ^(A)	\$ (1.9)	\$ (1.7)	\$ (1.6)	\$ (1.6)	\$ (1.6)	-18%	-24%	\$ (5.2)	\$ (6.8)	23%	
Adjusted EBITDA ^(A) margin	-209.8%	-184.8%	-167.9%	-150.4%	-133.6%			-187.3%	-240.0%		

	Quarter ended					% Change ¹		Nine months ended		%
	2024	2024	2024	2023	2023	Quarter over Quarter	Year over Year	2024	2023	Change ¹
	Q3	Q2	Q1	Q4	Q3			June 30	June 30	
Canadian segment										
Revenue	\$ 9.9	\$ 7.6	\$ 6.6	\$ 8.7	\$ 9.9	30%	-1%	\$ 24.0	\$ 24.8	-3%
Net Revenue ^(A)	\$ 1.9	\$ 1.4	\$ 1.2	\$ 1.6	\$ 1.7	31%	7%	\$ 4.5	\$ 4.4	2%
Net Revenue ^(A) margin	19.0%	18.9%	18.8%	17.9%	17.6%			18.9%	18.0%	
Adjusted EBITDA ^(A)	\$ 1.3	\$ 0.9	\$ 0.7	\$ 1.2	\$ 1.3	46%	1%	\$ 2.9	\$ 3.1	-7%
Adjusted EBITDA ^(A) margin	69.3%	62.3%	56.8%	72.9%	73.7%			63.7%	69.6%	
Corporate segment										
Adjusted EBITDA ^(A)	\$ (3.2)	\$ (2.9)	\$ (2.9)	\$ (2.9)	\$ (2.8)	-9%	-13%	\$ (9.0)	\$ (9.6)	6%

1. Percentage change is calculated based on figures disclosed in our MD&A which are rounded to the nearest thousands of dollars.

Conference Call and Webcast

A conference call to review the results will take place at 10:00 a.m. (ET) on Thursday, August 1, 2024, hosted by Chief Executive Officer Brian Lang and Chief Financial Officer Rodrigo Pinto. An accompanying slide presentation will be posted to the Investor section of our website shortly before the call.

To access the call:

- Participant Local (Toronto): (416) 764-8624
- Participant Toll Free Dial-In Number: (888) 259-6580
- Conference ID: 75808752

To listen to the live webcast of the call:

Go to: <https://events.q4inc.com/attendee/764805333>

The webcast will be archived and a transcript of the call will be available in the Investor section of our website following the call.

(A) Non-GAAP Measures

The non-GAAP measures used in this news release, including Net Revenue, Adjusted EBITDA and Adjusted Net Income do not have a standardized meaning prescribed by International Financial Reporting Standards and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP measures are more fully defined and discussed in the Company's MD&A for the three and nine months ended June 30, 2024 under the heading "Non-GAAP measures", which is incorporated by reference in this Press Release and available on SEDAR+ at www.sedarplus.ca.

Real Matters financial results for the three and nine months ended June 30, 2024 are included in the unaudited interim condensed consolidated financial statements and the accompanying MD&A, each of which are available on SEDAR+ at www.sedarplus.ca. In addition, supplemental information is available on our website at www.realmatters.com.

Net Revenue represents the difference between revenues and transaction costs. Net Revenue margin is calculated as Net Revenue divided by Revenues. The reconciling items between net income or loss and Net Revenue were as follows:

	Quarter ended					Nine months ended	
	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	June 30, 2024	June 30, 2023
Net income (loss)	\$ 1.7	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ 0.2	\$ (7.8)
Operating expenses	11.8	11.2	11.6	10.9	10.7	34.6	35.9
Amortization	0.8	0.8	0.8	0.9	1.0	2.4	3.0
Restructuring expenses	-	-	-	-	-	-	1.7
Interest expense	0.1	0.1	0.1	0.1	0.1	0.3	0.2
Interest income	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(1.3)	(0.5)
Net foreign exchange (gain) loss	(0.9)	(2.2)	2.0	(1.8)	1.8	(1.1)	2.9
(Gain) loss on fair value of derivatives	(0.1)	0.1	(0.2)	(0.1)	(0.5)	(0.2)	(0.8)
Income tax expense (recovery)	0.2	(0.2)	(0.6)	(0.1)	(0.2)	(0.6)	(2.8)
Net Revenue	\$ 13.1	\$ 11.5	\$ 9.7	\$ 11.2	\$ 12.1	\$ 34.4	\$ 31.8

Adjusted EBITDA represents net income or loss before stock-based compensation expense, amortization, restructuring expenses, interest expense, interest income, net foreign exchange gain or loss, gain or loss on fair value of derivatives and income tax expense or recovery. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Net Revenue. The reconciling items between net income or loss and Adjusted EBITDA were as follows:

	Quarter ended					Nine months ended	
	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	June 30, 2024	June 30, 2023
Net income (loss)	\$ 1.7	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ 0.2	\$ (7.8)
Stock-based compensation expense	0.4	0.4	0.8	0.3	0.3	1.6	1.1
Amortization	0.8	0.8	0.8	0.9	1.0	2.4	3.0
Restructuring expenses	-	-	-	-	-	-	1.7
Interest expense	0.1	0.1	0.1	0.1	0.1	0.3	0.2
Interest income	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(1.3)	(0.5)
Net foreign exchange (gain) loss	(0.9)	(2.2)	2.0	(1.8)	1.8	(1.1)	2.9
(Gain) loss on fair value of derivatives	(0.1)	0.1	(0.2)	(0.1)	(0.5)	(0.2)	(0.8)
Income tax expense (recovery)	0.2	(0.2)	(0.6)	(0.1)	(0.2)	(0.6)	(2.8)
Adjusted EBITDA	\$ 1.7	\$ 0.7	\$ (1.1)	\$ 0.6	\$ 1.7	\$ 1.3	\$ (3.0)

The reconciling items between net income or loss and Adjusted Net Income or Loss were as follows:

	Quarter ended					Nine months ended	
	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	June 30, 2024	June 30, 2023
Net income (loss)	\$ 1.7	\$ 2.1	\$ (3.6)	\$ 1.6	\$ (0.6)	\$ 0.2	\$ (7.8)
Stock-based compensation expense	0.4	0.4	0.8	0.3	0.3	1.6	1.1
Amortization of intangibles	0.4	0.4	0.4	0.4	0.4	1.2	1.2
Restructuring expenses	-	-	-	-	-	-	1.7
Net foreign exchange (gain) loss	(0.9)	(2.2)	2.0	(1.8)	1.8	(1.1)	2.9
(Gain) loss on fair value of derivatives	(0.1)	0.1	(0.2)	(0.1)	(0.5)	(0.2)	(0.8)
Related tax effects	0.2	0.5	(0.6)	0.4	(0.4)	0.1	(1.3)
Adjusted Net Income (Loss)	\$ 1.7	\$ 1.3	\$ (1.2)	\$ 0.8	\$ 1.0	\$ 1.8	\$ (3.0)

Forward-Looking Information

This Press Release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Words such as "could", "forecast", "target", "may", "will", "would", "expect", "anticipate", "estimate", "intend", "plan", "seek", "believe", "likely" and "predict" and variations of such words and similar expressions are intended to identify such forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this Press Release includes statements which reflect the current expectations of management with respect to our business and the industry in which we operate and is based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The forward-looking information reflects management's beliefs based on information currently available to management, including information obtained from third party sources, and should not be read as a guarantee of the occurrence or timing of any future events, performance or results.

The forward-looking information in this Press Release is subject to risks, uncertainties and other factors that are difficult to predict and that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. A comprehensive discussion of the factors which could cause results or events to differ from current expectations can be found in the "Risk Factors" section of our Annual Information Form for the year ended September 30, 2023, which is available on SEDAR+ at www.sedarplus.ca.

Readers are cautioned not to place undue reliance on the forward-looking information, which reflect our expectations only as of the date of this Press Release. Except as required by law, we do not undertake to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

About Real Matters

Real Matters is a leading network management services provider for the mortgage lending and insurance industries. Real Matters' platform combines its proprietary technology and network management capabilities with tens of thousands of independent qualified field professionals to create an efficient marketplace for the provision of mortgage lending and insurance industry services. Our clients include top 100 mortgage lenders in the U.S. and some of the largest banks and insurance companies in Canada. We are a leading independent provider of residential real estate appraisals to the mortgage market and a leading independent provider of title services in the U.S. Headquartered in Markham (ON), Real Matters has principal offices in Buffalo (NY) and Middletown (RI). Real Matters is listed on the Toronto Stock Exchange under the symbol REAL. For more information, visit www.realmatters.com.

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