



Real Matters Q4 2024 Conference Call - Transcript

November 21, 2024

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

Graham Smith, *Cormark Securities*

Martin Toner, *ATB Capital Markets*

Mike Stevens, *National Bank Financial*

Robert Young, *Canaccord Genuity*

Stephen Machielsen, *BMO Capital Markets*

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Real Matters Q4 and Fiscal 2024 Earnings Conference Call. [Operator Instructions] Also note that this call is being recorded on Thursday, November 21, 2024.

At this time, I would 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 fourth quarter and fiscal year ended September 30, 2024. With me today are Real Matters' Chief Executive Officer, Brian Lang; and Chief Financial Officer, Rodrigo Pinto.

This morning, before market open, we issued a news release announcing our results for the 3 months and fiscal year ended September 30, 2024. The release, accompanying slide presentation as well as the financial statements and MD&A are posted in the Investors section of our website at realmatters.com.

During the call, we may make certain forward-looking statements, which reflects 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, 2023, 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, adjusted net income or loss per diluted share, adjusted EBITDA and adjusted EBITDA margin. Non-GAAP measures are described in our MD&A for the 3 months and fiscal year ended September 30, 2024, where you will also find reconciliations to the nearest IFRS measures.

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

Brian Lang

Thank you, Lyne. Good morning, everyone, and thank you for joining us on the call today. In fiscal 2024, we delivered consolidated adjusted EBITDA of \$1.9 million, moving the business back into positive territory as we continue to prudently manage our cost base through the year to align with the variability in mortgage origination volumes.

We executed our strategy effectively, adding 16 new clients, increasing market share with our clients across all 3 segments, enhancing our net revenue margins and maintaining a disciplined approach to managing operating expenses. We demonstrated our ability to scale with volumes, and our financial performance showed how relative changes in the rate environment can translate into improved margins and profitability.

We remain confident about the size of the opportunity that the U.S. mortgage origination market represents, and that there is considerable upside for our business from here as pent-up demand continues to build. Homeowners will continue to look for sources of liquidity to finance life events as well as opportunities to lower their cost of borrowing.

New household formation will also persist as younger generations pursue the ambition of home ownership as a source of financial stability. Today, there are more than 8 million outstanding mortgages with an interest rate above 6% and the inventory of mortgages being written at higher rates continues to climb daily, growing the pool of potential future refinance candidates.

To put this into context, 8 million mortgages is double the size of the entire market in 2023, which

included purchase and refinance transactions, and that pool of mortgages grew by nearly 50% in the last 12 months alone. When we conducted our annual Consumer Mortgage Survey this year, we found that 60% of consumers plan to refinance in the next 2 years and 40% of future buyers plan to purchase a home when rates decline.

These tailwinds, coupled with our market-leading position and available capacity, position us well for growth. We continue to maintain a readiness posture, underpinned by our ability to scale and pivot, which will allow us to capitalize on these opportunities.

We reported consolidated revenues of \$172.7 million in fiscal 2024, up 5% year-over-year as a result of market share increases with our clients and new client launches in all 3 segments. Consolidated net revenue was up 8% year-over-year to \$46.4 million, and we delivered positive adjusted EBITDA of \$1.9 million, up from a loss of \$2.4 million in fiscal 2023.

In U.S. Appraisal, revenue increased 8% from fiscal 2023 to \$130.7 million, led by increases in origination and home equity volumes. We also posted year-over-year market share increases with 3 of our top U.S. Appraisal clients, and we maintained our top position on lender scorecards.

Our net revenue margins increased by 20 basis points from fiscal 2023 to 27.6%, which is at the high end of our target operating model and net revenue increased 9% year-over-year to \$36.1 million. With the increase in volumes on our platform and relatively flat operating expenses, we continue to see strong operating leverage in the business and increased our U.S. Appraisal adjusted EBITDA by 18% year-over-year to \$16.7 million, which represents an 87% conversion from net revenue to adjusted EBITDA.

U.S. Title segment revenue decreased to \$8.6 million from \$9.5 million in fiscal 2023 as a result of a decline in home equity and REO volumes. However, refinance origination revenues were up 9% year-over-year due to market share increases with our clients and new client volumes. With the change in our revenue mix, net revenue margins were up 570 basis points year-over-year, and net revenue was up 3% to \$4 million.

We reduced operating expenses by 11% from fiscal 2023, and we posted an adjusted EBITDA loss of \$6.8 million in U.S. Title compared with a loss of \$8.3 million in the prior year. We launched 7 new Title clients and 1 new channel in fiscal 2024. We also increased market share with our Tier 1 client.

On the sales front, we are having productive meetings with our clients, which reinforces our confidence in the ongoing progression of our pipeline. The movement in interest rates has revitalized the RFP process and brought growth back to the forefront of our discussions. It is clear to us that lenders are preparing for increased volume. Lenders are anticipating a potential decrease in rates and an uptick in refinance volumes in 2025, and we are well positioned to scale up and capture that volume.

In Canada, revenue was flat year-over-year as net market share gains with new and existing clients for Appraisal services were offset by lower market volumes and modestly lower insurance inspection revenues. Canadian net revenue margins were very strong at 18.9% and net revenue was up 5% from fiscal 2023. The Canadian segment generated adjusted EBITDA of \$4.1 million, down from \$4.2 million in fiscal 2023.

With that, I'll hand it over to Rodrigo to take a look at the fourth quarter. Rodrigo?

Rodrigo Pinto

Thank you, Brian, and good morning, everyone. U.S. mortgage market conditions showed some variability during the fourth quarter, and we saw several weeks of rate swings, which translated into variable transaction volumes throughout the quarter.

As Brian discussed, we continue to believe that we have a large and expanding long-term opportunity ahead of us, and so, we remain focused on the things we can control, including continuing to exercise discipline when it comes to our expenses, the timing of investment decisions and how we scale based on volumes.

We'll do what's necessary to grow our client base and our market share with our clients, managing our operating efficiency to drive margin expansion while maintaining a strong balance sheet.

Turning to our fourth quarter financial performance. I'll start with our U.S. Appraisal segment where we recorded revenues of \$33.8 million, up 8% from the same period last year. Revenues from purchase and refinance mortgage originations increased principally due to market share gains with existing and new clients and higher addressable mortgage origination volume for refinance transactions.

Home Equity revenues were up 9% year-over-year and accounted for 27% of the segment's revenue because of solid market share growth with our clients. U.S. Appraisal net revenue was \$9 million for the fourth quarter, up from \$8.6 million in Q4 '23, and net revenue margins decreased by 80 basis points, mostly due to distribution of transactions volume as it relates to geographies, clients and product mix. We posted net revenue margins of 26.7% in Q4 '24, which is well within our target operating model range.

Fourth quarter U.S. Appraisal operating expenses increased 7% year-over-year to \$4.9 million. We posted U.S. Appraisal adjusted EBITDA of \$4.1 million, up 4% from the fourth quarter of fiscal 2023, and we posted adjusted EBITDA margins of 45.2% from the 46% we posted in the fourth quarter last year as the increase in net revenue was offset by higher operating expenses.

Turning to our U.S. Title segment. Fourth quarter revenues increased 4% year-over-year to \$2.4 million, and refinance origination revenues were up 29%, principally due to market share gains with existing and new clients and higher refinance mortgage origination volume. U.S. Title net revenue was \$1.2 million, up 15% from the fourth quarter last year, and net revenue margins increased to 49.8% from

45% due to higher refinance origination volumes.

U.S. Title operating expenses were up 6% year-over-year, and we recorded an adjusted EBITDA loss of \$1.6 million for the U.S. Title segment, in line with our performance in the fourth quarter of fiscal 2023.

Looking at our U.S. Title segment performance on a sequential basis, fourth quarter net revenue increased 30% from Q3 2024 on stronger refinance market volumes and market share increases with our clients. This growth in net revenue, coupled with our operating leverage and disciplined cost management allowed us to convert 100% of the increase to adjusted EBITDA.

In Canada, fourth quarter revenues increased 8% year-over-year to \$9.4 million due to higher market volumes and net market share gains with new and existing clients for Appraisal services. Insurance inspection revenues were relatively flat. Net revenue was up 14% to \$1.8 million with 100 basis points increase in net revenue margins in the fourth quarter as we continue to leverage our platform.

Canadian adjusted EBITDA was \$1.2 million, up from \$1.1 million in the fourth quarter of fiscal 2023. In total, fourth quarter consolidated revenue and net revenue were up 8% year-over-year to \$45.6 million and \$12 million, respectively, from improvements in all 3 segments, and we recorded consolidated adjusted EBITDA of \$0.6 million, in line with our results in the fourth quarter of fiscal 2023.

We ended the year with a very strong balance sheet with no debt and cash of \$49.1 million at September 30, 2024. Our cash position increase in the fourth quarter was mainly due to the timing of collections.

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

Brian Lang

Thanks, Rodrigo. Real Matters delivered strong financial performance in fiscal 2024. Net revenues were up in all 3 segments. We continued to leverage our network to improve year-over-year net revenue margins in all 3 segments. We launched 16 new clients and 4 new channels, and we continue to drive market share increases with our clients in all 3 segments. Our business delivered positive consolidated adjusted EBITDA in one of the most challenging market environments on record.

Heading into fiscal 2025, we are optimistic about the potential for growth as pent-up demand continues to build and the pool of potential future refinance candidates increases. These tailwinds, coupled with our market leadership in Appraisal and the significant potential for expanding our U.S. Title business position us well for growth. As we drive more transaction volumes on our platform, we expect to expand our margins and profitability in line with our long-term operating model.

Our team remains focused on increasing market share with our existing clients by optimizing scorecard performance and pursuing new client relationships, especially in U.S. Title.

Our business was built to thrive in the peaks and to withstand valleys of the cyclical mortgage market, and we have been successful in growing the business through a number of these cycles since the company was founded 20 years ago, and we intend to do it again.

This October, the company celebrated its 20th anniversary. Reflecting on our history, two key elements have been foundational to our success as an organization. The first is our culture and the strength of our people. Their passion to win and ability to think big about our objectives is what has allowed us to innovate and build for the long term. To all our team members, I'd like to express our sincere gratitude for your ongoing commitment to the company. By extension, we also thank the field professionals on our network for their extraordinary contributions.

The second is rooted in our vision, which is to empower incredibly smart decisions through technology. It's been our rallying cry since Jason Smith founded the company back in 2004 and has helped guide our strategy and how we think about growing the business ever since.

On that note, I'd like to take a moment to acknowledge Jason for his unwavering commitment to this company over the last 20 years. As we announced this morning, he will be retiring from the Real Matters' Board of Directors at our upcoming AGM. On behalf of the Board, we would like to thank Jason for his invaluable contributions and leadership. It's been a privilege for me and our team to work alongside such an incredible individual. His energy and passion for the business is second to none, and we look forward to carrying on his legacy as we look forward to the next 20 years.

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

Question and Answer Session

Operator

[Operator Instructions] First question will be from Gavin Fairweather at Cormark Securities.

Graham Smith

This is Graham Smith on for Gavin. So, you've talked a lot about the dynamic where you're gaining market share with your T1s and those T1s have kind of been backing out of originations, given the difficult market environment. Can you maybe talk about if you're seeing any early indications of those T1s reentering or starting to reengage, given that we're expecting a bit of an upturn in calendar 25 in originations volumes?

Brian Lang

Thanks, Graham. Appreciate that. And just for the broader group, you're referencing our Tier 1 customers. And I think you're mostly talking about the Appraisal business. But the Tier 1s, so as we've talked about in the past, we've really focused the business around the Tier 1s for a host of reasons. Number one, they're very performance-focused, which, of course, is how we've built the business.

And so, because of the scorecard management that they have, they've definitely been a way in which we can continue to deliver and drive market share growth with them. So, we've continued to see that, Graham, our market share growth with them, another good year.

We announced sort of 3 of the top Appraisal customers that we've moved share with as well as, of course, our Tier 1. We moved share with our -- sorry, with Title, we moved share with our Tier 1 on Title. So, it's been a good year on moving market share with our Tier 1s.

I think your question refers to how they're doing in the market. And -- so I think, we're definitely starting to see the winds move from what have been headwinds for them from a market share standpoint to the market to tailwinds. And I think there's a host of reasons for that. One of the biggest reasons is, frankly, it's been difficult for some of the Tier 1s to make much money on sort of a per mortgage basis over the last couple of years. They have now crossed back into positive territory, and they are now making money on the incremental mortgages that are coming in.

So, that's a big significant change for the Tier 1s. And that was very reiterated to me just recently because we had the big Mortgage Bankers Association conference last month. And clearly, they are now starting to ready themselves to reinvest, start looking at marketing, making sure that they're getting their operations set up for what they expect will be some movement in the market in 2025. So, I mean, I think our view would be that we're incredibly well positioned with the Tier 1s, and they are now starting to better position themselves to start taking some market share back in 2025.

Graham Smith

That's really helpful. Just one more. Can you just give a bit more color on the profile of the Tier 2 that you added to Title this quarter? And then maybe if you could just talk about how the T2 pipeline is progressing?

Brian Lang

Sure. So this quarter, we did add a Tier 2 to the mix. The -- I would say, one of the benefits of this movement of mortgage profitability coming back into play for the Tier 1s is that, that's also finding its way down into the Tier 2s and some of the Tier 3s. So, what has been a reasonably challenging pipeline for us, it's been a bit of a headwind over the last little while with volumes low. That has definitely started unlocking some opportunity for us.

So as well as the Tier 1 RFP that we've talked about in the past that's in play, and we're feeling very confident about getting an answer on that RFP this quarter. and looking forward to some volume in 2025 calendar. The Tier 2s have also started to unlock. So, as mentioned, we've launched a Tier 2. We've also had a couple of RFPs come in, in the last 6 weeks with some of the Tier 2s.

So good news for us. With profitability comes the opportunity for that pipeline to unfreeze and for Tier 2s to start looking for partners as they see this expected refi pool start becoming available to

them.

Operator

Next question will be from Stephen Machielsen at BMO.

Stephen Machielsen

So, it's been a couple of years of streamlining your operations. With this prospective uptick in volume over the next year, how should we think about any investments that you might need to make to handle this?

Brian Lang

Thanks, Stephen. So, as you mentioned, I think we've got our costs aligned to the challenge in the market. So I think we're in very good shape. The models also, as you see now, driving some of the margin improvements that we've talked about. As some incremental volume comes in, I think you're going to see a significant amount of that drop to the bottom line as you did this past year and past quarter. So I think that 87% net revenue to adjusted EBITDA conversion, you saw on Appraisal and the 100% on Title. I think what you're seeing there is the capacity that we've talked about having on both sides of those businesses.

So the 3x to 4x volume on Title and the 30% incremental capacity on Appraisal, again, in preparation for what we believe will be some increases in volume in the not too distant future. So that's -- I think there's -- you're seeing a lot of those margin benefits already flowing through with very little upside, frankly, right now on volume. But I think as that volume ramp starts coming in, in 2025, I think you're going to see more of that.

And the only time we need to do much around the cost base on the operations of the business will be when we start seeing that type of incremental volume where we need to invest beyond that. But there will be some investment in 2025 on the tech side of our business. We've held out through some of the tough market conditions over the last couple of years with some investments in tech. And so both from, sort of an industry standpoint as well as getting our performance continually improved and distancing ourselves from the other competitors, we believe right now is the time to make a little bit of investment in that. So you will see a couple of million dollars in tech investment in 2025.

Stephen Machielsen

Okay. And had you already started that investment? It does look like corporate overhead did go up a little bit this quarter?

Brian Lang

Great. Why don't I pass it over to Rodrigo. Rodrigo?

Rodrigo Pinto

Yes, Stephen, I would say we started what we call designing and planning parts of some of those

enhancement projects in tech. So, yes, it is -- it started already, but we'll get to those numbers that Brian just shared with you throughout the year, fiscal 2025.

Brian Lang

Yes. And Stephen, just for clarity, the tech investments are for tech resources, right? We have a spectacular platform. So, the platform, and I think we've shared with all of you, we're in the cloud now. So, technically, from a platform standpoint, we're in incredibly good shape. This is investing in some tech pool resources, as Rodrigo said, right now, in the design phase and then, of course, in the execution phase in the back half of the year.

Stephen Machielsen

No, no. Good to hear. And just to dig in a little bit more on your customer or your clients expecting to ramp up volumes in fiscal '25. I mean, we've had a bit of whiplash with rates over the last couple of months. Do you get the sense from them that any volume gains they might get are contingent on rates going down a substantial amount? Or if rates kind of hang out where they are, will they still be investing for growth?

Brian Lang

Yes. I would say, Stephen, it's been less around exactly where the rate is right now. I think, like us, they've been focused on this refinance pool that's been building. And I think you've got to remember that it's not the absolute rate that's really important here. It's the relative change in rates. So right now, these past few weeks, we're sitting pretty close to 7% at the 30-year. So, you only need to see a 50 basis point to 75 basis point change in there. So we're now in the 625 basis point to 650 basis point range where it makes sense to refinance.

So, I think they're looking at that and seeing that pool. And therefore, it doesn't take much change in the rate for there to be increases in volume. And frankly, we saw that in September. September, if you remember, we actually got down under 6% for a couple of weeks, and the MBA application volumes went up, and there's a fair bit of expectation of things moving. And then the rates, of course, went up again. So I think there is quite a bit of sensitivity right now around that rate. And it's -- as I say, it's the relative change in rate.

As you probably know, Americans are incredibly focused on their rates. And also, I think, Stephen, it's important to remember, especially on the refinance side, currently, almost 90% of the refinances that are going on are cash out refinances, right? So these are people that are going through big life decisions. They're doing -- they're getting married. They're dealing with funerals. They're dealing with university, big things going on in people's lives.

And so our view is that's not going to change, and I don't think any of the lenders think that's going to change. So, we've got a baseline of volume that's there. And I think their view is it's only going to

build on top of that with some relative changes in rates in 2025. So I think that's the big driver, I think, Stephen.

Operator

Next question will be from Martin Toner at ATB Capital Markets.

Martin Toner

Can you guys talk a little bit about your expectations for further improvement in net revenue in 2025?

Brian Lang

Sure. So, why don't I pass that one over to Rodrigo?

Rodrigo Pinto

Sure. Sure, and Martin, the reality is, again, net revenue margins will fluctuate based on distribution of transactions, and that held true, especially in a low volume market environment. But again, our expectation for next year is that our net revenue margins will stay within the target operating model range, that is especially for U.S. Appraisal, 26% to 28%.

On the Title side, again, as you saw this quarter, we saw the highest net revenue margin for the Title segment over the last 24 months or 8 quarters. There's a dependency in volumes there. But again, our goal is to get to our target operating model.

Martin Toner

And what are your expectations for mortgage volumes, refi and purchase? Like let's say, rates kind of bounce around the midpoint between like 6 and where they peak at 8. Let's just say we kick around somewhere in the middle of that fairly large range next year. What do you think is possible from a volume perspective?

Brian Lang

Yes. I mean, Martin, why don't we start with -- I just think the context of we have been in and we have a slight up on the lowest volumes in the last 30 plus years, right? So we've got to start there. We then layer in the Title commentary I just gave you around cash out being the vast majority of the transactions that are in there. And if we look forward, if you take a look at the industry folks, you're going to see some folks think positivity, some folks think a little bit negativity. So it sort of depends, as you say, an awful lot on what ends up happening in the rate environment.

But we're coming off of the lowest base in, as I say, in the last 30 plus years. So I think, in our view, we've got a bit of a seasonality kick, as you know, in our Q1 and Q2. So I think there'll be a little bit of seasonality in there. But I think especially when we look out to Q3 and Q4, we think there's a real upside opportunity. I think our lenders see a real upside opportunity. There's a big refi pool. And I

think the view is that, that's going to kick in because there's going to be some movement in the relative change in rates. right?

And as you know, Martin, we stay totally focused on the stuff we can control, which hopefully you saw from our 2024 results, driving the margins, winning the market share. That's the focus.

Martin Toner

Absolutely, Brian. So you talked a little bit about this already. I'm just going to kind of ask this anyways. There was a competitor that put a pretty aggressive refi rate out there pretty recently. Like what do you see from your lenders on refi in terms of like how aggressive you think they'll be as rates have kind of like popped up here to 80 basis points? Are they as enthusiastic or are they -- do they like instantly retrench?

Brian Lang

Yes. So, again, I'm going to reflect back -- just back to that September comments that I made when we talked about the fact that the rate came down and we got into the under 6, Martin. So, if you actually went down and did a little bit of analysis there, you'd see the Tier 1s went in very competitively during that time. So 3 of the Tier 1s were down in the [5.5%] range, right? And it kind of goes back to where I talked about profitability for them around their mortgage volume that's coming in.

They are coming out of a couple of years where they were having negative growth from a revenue standpoint as new volume came in. And so, as I mentioned, it's sort of clearly out in the market now that, that change has occurred where they've gone from negative territory and they're now making money on mortgages again.

So as that happens, they are definitely stepping further in. We've seen marketing activity around that, and we've definitely heard from them, as I mentioned at the Mortgage Bankers Association Conference just very recently, that they are now in a position, profitability ahead of them. They see a big refi pool. They're definitely focused on bringing back some of that market share that they may have given over the last couple of years. So, again, I feel pretty bold in saying that I think the Tier 1s are going to step back in, and I would not be surprised in 2025 to see them taking some market share.

Martin Toner

Awesome. Last one for me. Are you as strong on scorecards in Title as you are in Appraisal? And maybe if there's a difference, can you kind of talk a little bit about, like, the relative value proposition of each solution?

Brian Lang

Yes. I know I can firmly say since I saw the most recent scorecard on Title, that we're #1 on Title, Martin. So, good news. We continue to be at the top of the scorecard on the Tier 1 side. And frankly, there is very little difference in the scorecards beyond the fact that some of the content is a little bit different, Martin, the way they run their score-carding process. I think I've mentioned in the past, it's under the same vendor management team. So it's a very diligent process. It's by product, by region, by you name it. And it's the same across both sides of the business.

So, the only challenge in such a low environment as we have now is it's harder for us to distance ourselves as we did when there was a lot more volume and as we expect there will be once we see volume come back up. So, the difference between first and fifth or sixth, depending on how many vendors they have, is a little tighter right now than it would be when we get more volume. But we continue to be #1 on scorecards on both sides of the fence, Appraisal and Title.

Martin Toner

Do you have any sense for how much capacity some of the Tier 1 lenders have given that they've consolidated their vendor relationships during this downturn? I mean, the question is sort of getting to like, what's their need to add new ones as we ramp up volumes here?

Brian Lang

Well, yes, I mean, I think it sort of comes back a little bit to Martin. They've now brought down their cost to such a level where they're now profitable again. So they've now got themselves into a much sort of smaller shell than they would have been a couple of years ago. And so they have told -- and again, this is reiterating what I heard a few weeks ago. They reiterated, the first question to me was, what happens when volumes double? How fast can you start taking on volume?

So I think they are now in a position where they have less capacity. And so, as the market begins to build again, they are definitely looking to outsource. And that's why I think we're seeing some of the Tier 2s, frankly, especially on the Title side, start opening up RFPs is exactly that. They're starting to look towards the refi pool, the refi opportunity, and they want to start looking for the partners that are going to help them through what I think will be a good refi build over the next couple of years.

Martin Toner

Well, let's hope they have that good problem sometime soon.

Operator

Next question will be from Robert Young at Canaccord Genuity.

Robert Young

Maybe just some refresh around the Tier 1 Title pipeline. I think you had 2 in process. Earlier in the call, I think you said maybe 1 might be awarded to -- the RFP process might close or finish before the end of this calendar year? Or was that fiscal year? And maybe you could just give us a sense of what

that might do to the financial model if you do win a Tier 1 -- an additional Tier 1? Because I look at this current quarter, OpEx is flat against revenue growth in Title. And so, I mean, if you add a significant customer, you added a significant one this quarter within Tier 2, I believe. How should we think about that?

Brian Lang

That's a great question, and thanks for that, Rob. So, on the Tier 1 side, Title Tier1, the game plan has been throughout the year to close that RFP by the end of the calendar year. And so, the RFP process has been completed, but they have not yet let the participants know the outcome. So, good news, the RFP is closed. We've -- everything is done that needs to be done. We will -- we should be notified in the next 2 to 3 weeks, but by the end of this calendar year.

So that's on the fairly significant big Tier 1. The other Tier 1 is still in play, Rob. As I've talked about, it's been a little less structured than the first Tier 1 I just talked about. But our view is that we should be notified next quarter, so in our Q2 as to where we stand on that other Tier 1 RFP.

Beyond that, as I mentioned, the good news is we landed a Tier 2. We've also now started RFP processes with a couple of other Tier 2s. And so, our view is good news. That pipeline is definitely starting to open.

As far as how it impacts our results, I'm going to pass that over to Rodrigo, and he can talk a little bit about how we built that into our model for 2025.

Rodrigo Pinto

Sure, sure. So, Rob, again, the first Tier 1 that Brian mentioned, like just thinking of the size of the financial institution itself, at full steam, same market share, it could double the volumes that we are seeing in Title. They are about the same size, large financial institution in the United States. So at full steam, double the volume of transactions, which would translate to doubling the revenue.

However, for fiscal 2025, there's a ramp-up period. So, we won't see that full capacity in this coming -- upcoming fiscal year. Our view is, hopefully, towards the end of the fiscal year, we'll be there. But at the beginning of the year, of course, there's a ramp-up period. I would say in fiscal '26, yes, I would feel confident to say it should double our volumes without considering any changes in the market.

Robert Young

Okay. And if the Tier 1 award that you're hoping to learn about soon, is that likely to be awarded across multiple vendors? Or are you expecting it to be an exclusive award? Like are they adding to a current group of providers or is it a reassessment of the split amongst existing vendors adding new vendors? Maybe just give a sense of that.

Brian Lang

Yes. Fair question, Rob. And I must say it's -- the interesting -- the interest in going through these RFPs is there's actually a fair bit of complexity around these RFPs. You're actually working through states, working through products. So there's a fair bit of complexity to it. That being said, as I mentioned, we were in this finalist group of less than a dozen other players. And in our view, they will most likely have something like half a dozen vendors. That's sort of been their past behavior. And so I assume that's sort of where we'll land on being part of that type of group.

And of course, our goal internally is to drive our market share up, of course, as quickly as we can, perform the way we are performing now with the other Tier 1, be top of the scorecard, and frankly, get ourselves to the same market share that we have on the Appraisal side of the house, so with the same Tier 1. So that's kind of the long-term goal. And why don't I pass it to Rodrigo for other commentary?

Rodrigo Pinto

I just want to add, Rob, because Martin had a similar question. What we learned over the years is not about capacity, right? There's always room to displace low performers. So, as long as we perform well, it's not related to the capacity, how much they will give. If you are a high-performer, top-up scorecard, you should get more market share. That's why we -- our strategy was let's go to Tier 1s because they are a performance-based allocation of volumes there.

Robert Young

Okay. And then maybe just a little one, the Tier 2s won. Does any of that bleed into Q1? Or is most of that benefit in Q4? I'm just trying to think of the puts and takes around the seasonality in Q1.

Brian Lang

Yes. So the Tier 2 that we've now brought on; that, again, Rob, is a build, right? So you have to build over time. Of course, we've built into our model that we will have revenue coming in by the start of next quarter, and we should see that, of course, through the year. And then the rest of the Tier 2s, the RFP pipeline, we've accounted for some of that, but of course, it's in the second half of the year.

So, again, our view would be we're going to have some seasonality right now. That seasonality, that Q3, Q4, we should see on the Title side, some decent incremental volume coming from both Tier 1 and new Tier 2s. But of course -- rate dependent, of course, Rob. Rate dependent, of course.

Robert Young

Of course. Last question and I'll pass the line. Just -- I mean, a lot of changes in the U.S. political environment. I'm sure you're looking at the appointments and looking at some of the things that could pop out of it, an impossible question to answer. But if you just give us a sense of what you're seeing as it relates to your business, what's going on in the U.S., maybe some things for investors to think about? And then, I'll pass the line.

Brian Lang

Great. I mean, I think it's still early days, Rob, frankly. And so I think, of course, we're keeping an eye on what's going on in the U.S. But I think it's really too early to make too much commentary around what we think. I mean, the one good news story is definitely seems to be quite supportive of the banks in the U.S. and taking down regulation, having less regulation. So that, I think, is probably a good tailwind for us as we look to the future. And I think that will help sort of fuel some of those Tier 1s back to our earlier commentary around continuing to invest and grow and gain market share.

Robert Young

Okay. Saved that one for the next quarter to ask you and pass the line.

Operator

[Operator Instructions] Next question will be from Richard Tse at National Bank.

Mike Stevens

This is Mike Stevens on for Rich. I wanted to -- you've talked a lot about capacity. In terms of the higher volumes, like is that -- how much of a function of that is on the Tier 1s and your lending partners versus your own capacity? And kind of to follow-up on that. So if you start to see the market turning, volumes trending higher, if you do need to add to your OpEx, how far in advance do you need to add that capacity to meet that demand? And what areas would you be looking to add?

Brian Lang

Great question. So, I think when we're talking about capacity, the Tier 1s have definitely brought their capacity down in line with the current market, which is why you're seeing positive revenue that they're now able to drive on their mortgage business. So they have definitely brought their cost base down. As you probably are aware, it's very difficult for them to start building capacity. They have started talking about putting some more capacity in.

But as volume starts coming in, in this type of environment, usually what they do is, look to the vendors to start taking on a significant portion of that incoming volume. So, I think we're incredibly well poised because of our level of market share with all of the Tier 1s that they will outsource a good portion of incoming volume and that we will be the recipients of that. And so back to our capacity on Title, we can take 3x to 4x the volume that any of them are giving us today without having to invest in our operations OpEx, right?

And on Appraisal, that number looks more like 30%. So, depending on how much volume comes in, I think we're really well set up to be able to, as we did this past quarter, drive a considerable amount of the net revenue right down to adjusted EBITDA.

And with that, why don't I pass it over to Rodrigo to talk a little bit around the financial side of that?

Rodrigo Pinto

Yes. So, Mike, again, if we see volumes coming our way from market share gains, new clients or a recovery in the markets, we want to get ahead of that. And I think we proved in the past that we are disciplined and agile to align when we need to add those costs to attend the new revenue coming our way. We work very closely with our clients to ensure that we can make those decisions at the right time.

Mike Stevens

Okay. Perfect. That's super helpful. And maybe that ties in well then with -- you're in a good cash position in terms of capital allocation, is it kind of more about waiting to be agile in case the market turns? Or are there any other opportunities, be it inorganic, that you could look at going forward?

Brian Lang

Yes. Another good question. So I think we keep an eye on capital allocation strategy and sort of long-term view on where we want to allocate any of our investments. As you've heard, in the very short term, some of our investments are definitely going into making sure that we continue to drive incredible performance and get prepared from a tech standpoint for what we think will be an increase in the volumes coming in. But longer term, we keep an eye on M&A opportunities.

As you've seen in the past, we will always consider things like NCIB. So, we'll keep all those levers open to us. Right now, though, I think at least in the very near term, the focus is definitely much more on operating the business incredibly well, efficiently, preparing for future, keeping an eye on the opportunity, the refi opportunity, and delivering against our sort of total operating model expectations.

Operator

Thank you. Ladies and gentlemen, this concludes our question-and-answer period as well as our conference call for today. We would like to thank you for taking the time to attend and ask that you please disconnect your lines. Have a good day.