



Real Matters Q1 2023 Conference Call - Transcript

January 27, 2023

Corporate Participants

Brian Lang, *Chief Executive Officer*

William (Bill) Herman, *Executive Vice President and Chief Financial Officer*

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

Other Participants

Daniel Chan, *TD Securities*

Martin Toner, *ATB Capital Markets*

Richard Tse, *National Bank Financial*

Robert Young, *Canaccord Genuity*

Thanos Moschopoulos, *BMO Capital Markets*

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Real Matters Q1 2023 Earnings Conference Call. [Operator Instructions] This call is being recorded on Friday, January 27, 2023. I would now like to turn the conference over to Lyne Beauregard. Please go ahead.

Lyne Beauregard

Thank you, operator, and good morning, everyone. Welcome to the Real Matters Financial Results Conference Call for the first quarter ended December 31, 2022. With me today are Real Matters' Chief Executive Officer, Brian Lang; and Chief Financial Officer, Bill Herman. This morning, before market opened, we issued a news release announcing our results for the 3 months ended December 31, 2022. The release, accompanying slide presentation as well as the financial statements and MD&A are posted in the Investor Relations section of our website at realmatters.com.

During the call, we may make certain forward-looking statements, which reflect the current expectations of management with respect to our business and the industry in which we operate. However, a number of the 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 detail. 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, 2022, 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 EBITDA and adjusted EBITDA margins. Non-GAAP measures are described in our MD&A for the 3 months ended December 31, 2022, where you will also find reconciliations to the nearest IFRS measures.

With that, I will now turn the call over to Brian. Brian?

Brian Lang

Thank you, Lyne. Good morning, everyone, and thank you for joining us on the call this morning. I will kick things off today with an overview of our first quarter performance and some of the key drivers behind our numbers. Bill will then take a deeper dive into our segment financials, and I'll wrap up the call with some brief remarks prior to taking questions.

We reported consolidated revenues of \$38.2 million, net revenue of \$9.8 million and an adjusted EBITDA loss of \$2.9 million in the first quarter, reflecting ongoing mortgage market headwinds driven by a significantly higher interest rate environment. Our performance in the first quarter was in line with our focus on keeping the business EBITDA neutral on a full year basis and maintaining a strong balance sheet through this part of the mortgage market cycle.

Beyond the impact of current market conditions, we made solid progress in the first quarter on the things that we can control. We continue to win market share. We added new clients, and we achieved record high net revenue margins in our U.S. Appraisal segment. In U.S. Appraisal, we increased market share with 5 of our largest clients year-over-year. We launched 3 new lenders and 1 new channel with an existing Tier 1 client.

We also launched 2 new lenders in U.S. title and 2 new clients and 3 new channels in Canada. At the same time, we continue to optimize headcount and manage our cost base to align with a

lower volume environment, reducing our consolidated OpEx by 43% year-over-year in the first quarter. Our cost-saving measures allowed us to maintain sequentially flat adjusted EBITDA in our U.S. Title segment.

We also ended the first quarter with a cash and cash equivalents balance of \$45.1 million. While 30-year mortgage rates declined in the quarter, they were still up over 330 basis points from the first quarter 2022. And weekly mortgage applications as measured by the Mortgage Bankers Association were at a 26-year low at quarter's end.

At today's rates, the vast majority of mortgage refinances are cash out transactions. However, we continue to 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 and to realize our fiscal 2025 financial targets.

In U.S. Appraisal, purchase origination revenues were down 45% year-over-year in the first quarter compared to an estimated addressable market decline of 48% and refinance origination revenues were down 83% year-over-year, consistent with the decline in the estimated addressable market for refinance activity. We had a record quarter for net revenue margins in U.S. appraisal, which increased 640 basis points year-over-year to 27%, landing squarely in our fiscal 2025 net revenue margin target range for the segment.

Our ability to direct more work to our top-performing appraisers allowed us to achieve higher margins, which also bolsters quality and drives faster turn times. This network effect is key to continuing to win additional market share with our clients. We continue to perform at the top of our Tier 1 lender scorecards in the first quarter. And so despite the lower overall volume environment, we were extremely pleased with the strong operational performance of our U.S. Appraisal business.

U.S. Title segment revenues were down 85% year-over-year and down 92% for centralized title principally reflecting an estimated 89% decline in refinance market origination volumes and changes in our client portfolio. We continue to adjust our cost base in U.S. title in the first quarter to more closely align with current market volumes for refinance transactions, reducing our operating expenses by 64% year-over-year.

During the first quarter, our sales team was highly engaged with existing and potential new clients at the annual Mortgage Bankers Association Convention, 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.

In Canada, we launched 2 new lenders, 3 new channels, and we increased market share with our 3 largest appraisal clients. Canadian segment revenues were down 38% year-over-year on lower market volumes. However, net revenue margins increased 440 basis points to 17.9% and we increased adjusted EBITDA margins to 64.2% compared to 57.7% in the first quarter of 2022.

With that, I'll hand it over to Bill. Bill?

William Herman

Thank you, Brian, and good morning, everyone. Turning to Slides 4 and 5 for a closer look at our first quarter financial results. Consolidated revenues declined 65% in the first quarter of fiscal 2023 compared to the same quarter last year due to lower revenues across all 3 segments. U.S. appraisal revenues declined 64% year-over-year to \$28.3 million due in large part to lower addressable mortgage origination volumes, partially offset by net market share gains with existing clients and new client additions.

U.S. Appraisal purchase and refinance origination revenues were down 45% and 83% year-over-year, respectively, and other revenues from home equity and default decreased a modest 1.5% on lower demand for home equity services. Transaction costs in U.S. appraisal declined 67% year-over-year, and net revenue declined 53% to \$7.6 million.

As Brian outlined earlier, net revenue margins increased 640 basis points compared to the same quarter last year to a record 27% as we leveraged our appraiser network in a lower market environment and service a greater proportion of standard properties. U.S. appraisal operating expenses declined 33% to \$5.3 million, down from \$7.9 million in the first quarter of fiscal 2022, due in large part to lower salary and benefit costs.

U.S. Appraisal segment adjusted EBITDA declined to \$2.3 million from \$8.5 million in the first quarter of fiscal 2022, and adjusted EBITDA margins contracted to 30.4% in the first quarter of fiscal 2023, which compares to the 51.9% we posted in the same quarter last year, owing in large part to lower addressable mortgage origination market volumes.

Turning to our U.S. Title segment. Revenues declined 85% year-over-year due primarily to lower refinance mortgage origination market volumes and changes in our client portfolio. Revenues

attributable to centralized title services declined 92% year-over-year, while diversified title revenues totaled \$0.2 million, representing a decline of \$0.3 million from the first quarter of fiscal 2022.

Other title revenues of \$0.9 million, representing revenue from home equity services were down from the \$1.4 million posted in the comparable prior year period. Transaction costs in our U.S. title segment declined 72%, while net revenue margins contracted to 34.7%, down from the 66.4% we posted in the first quarter of fiscal 2022.

The decline in net revenue margins was due to a higher proportion of lower-margin home equity volume service and a lower proportion of incoming order volumes that closed. We continue to manage our operating expenses down in the quarter due to lower refinance mortgage origination market volumes. Operating expenses declined \$6.6 million to \$3.7 million in the first quarter of fiscal 2023 as we continue to adjust our cost structure in line with market conditions.

The U.S. Title segment posted an adjusted EBITDA loss of \$2.9 million in the first quarter of fiscal 2023, down from the positive \$0.4 million we posted in the same quarter last year, owing to the impact of lower market volumes. As a result of the significant decline in rate refinance market volumes, we progressively reduced our U.S. title operating expenses throughout fiscal 2022, and these initiatives continued in the first quarter of 2023. As Brian mentioned earlier, these cost-cutting initiatives in the U.S. title allowed us to maintain adjusted EBITDA that was flat on a sequential basis.

In Canada, revenues declined 38% on a year-over-year basis to \$7.5 million, while net revenue margins expanded by 440 basis points as we leveraged our appraiser network in a lower market environment and realize higher net revenue margins from insurance inspection services. Canadian segment operating expenses declined \$0.2 million and adjusted EBITDA margins increased to 64.2% from 57.7% in the same quarter last year.

In total, first quarter consolidated net revenue was \$9.8 million compared to the \$28.8 million we reported in the first quarter of fiscal 2022 due to lower reported net revenues across all 3 segments. Consolidated net revenue margins declined to 25.7% in the first quarter of fiscal 2023, down from the 26.7% we posted in the first quarter of fiscal 2022, principally reflecting lower margins in U.S. title, owing in large part to lower refinance mortgage origination market volumes and the mix of services supplied in this segment. The margin decline in U.S. title was partially offset by net revenue margin improvement in U.S. Appraisal and Canada.

We reduced consolidated operating expenses by 43% year-over-year to \$13.2 million in the first quarter or \$12.7 million when stock-based compensation is excluded, which largely reflects the

changes we affected during the quarter and in fiscal 2022 in response to declining market volumes. We posted a consolidated adjusted EBITDA loss of \$2.9 million in the first quarter of fiscal 2023, down from the positive \$5.9 million in the same quarter last year. Turning to the balance sheet. We ended the quarter with cash and cash equivalents of \$45.1 million at December 31, 2022. As we noted during our fourth quarter and year-end conference call in November, we have paused activity on our NCIB in favor of conserving cash in this market environment.

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

Brian Lang

Thanks, Bill. Looking at our business from a fundamental perspective and the elements that we can control, we are very pleased with our performance in the first quarter. We made tremendous strides to ensure that our title business is rightsized to market volumes during this point in the mortgage market cycle. At the same time, we maintain a long-term view of our investment in U.S. title and the significant opportunity that it represents. We know the earnings power of this business in a normalized market volume environment, which our results have demonstrated in the past.

Our existing client base and performance track record with lenders represents a tremendous asset and a significant opportunity for growth. We remain confident in our ability to add clients and grow market share and ultimately achieve our fiscal 2025 financial objectives under normalized market conditions. In the near term, our focus will remain on keeping the business EBITDA neutral on a full year basis through this part of the mortgage market cycle. With a strong balance sheet and no debt, Real Matters has the financial strength to manage through the current downturn in the mortgage market, and we are well positioned to scale back up when the mortgage market recovers. We continue to manage the business with a view of long-term growth, profitability and achieving our fiscal 2025 targets.

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

Question and Answer

Operator

[Operator Instructions] Your first question comes from Daniel Chan from TD Securities.

Daniel Chan

There were some strategic changes from one of your large Tier 1 customers earlier this year. Just wondering how your conversations with some of your other large customers are going in response to the strategic changing, but if there's anything you need to do on your end to respond to it?

Brian Lang

Thanks, Dan. I think you're referring, of course, to the Wells Fargo announcement. And so I think without getting too much into the Wells announcement, which has a very sort of limited impact on our business, just due to where they're focusing their changes. We really haven't heard anything like that from the other Tier 1s, Dan. So the focus of the conversations with them, frankly, from an operational standpoint have been much more focused on the market recovery and how they're thinking about running their operations when we start seeing the refi volume and the purchase volume begin to move. So I think they're being quite thoughtful around the operational side and the customer experience on the recovery. So that's really, I think, where the heart of the conversation has been outside of the Wells Fargo discussion.

Daniel Chan

That's helpful. And then the Tier 1 talent closing second channel launch, what's the timing on that?

Brian Lang

Yes. So the Tier 1 title work that we're doing, we've been having conversations. The pipeline, I think, continues to be robust, Dan. And as I've mentioned in the past, -- this is not about if, it's about when. So we're going to continue those conversations. We definitely see that second channel happening with our current Tier 1 this year, and we continue to drive the sales funnel with -- as you've seen, we're bringing on new customers on the platform and continue very robust discussions with the other Tier 1s.

Operator

Your next question comes from Thanos Moschopoulos from BMO Capital Markets.

Thanos Moschopoulos

Brian, if you could maybe expand on just the kind of conversations with other lenders. I mean you talked about Wells Fargo, but in general, are they -- as you're signing some of these new customer wins and getting new channels, are you thinking past the current downturn? Or are they more focused on just the market as it is now and looking to consolidate? Or just how forward thinking are they versus being responsive? And how does that affect the market share dynamic for you? Sure.

Brian Lang

So I would say the definite focus of the big Tier 1s, we spent quite a bit of time with them in the last couple of quarters is on the recovery. So they are, of course, focused on capacity, but they are definitely looking beyond I would say, quite a bit of feedback on some of the challenges that they had when we went through '20 and '21 and some of the challenging customer experiences. And so I would say the overall institutions are incredibly focused on making sure that, that customer experience as the market recovers is very strong. So that's really, I think, where they are focused. They're definitely much more forward focused. And I would say that, that has only sort of continued over the last couple of quarters where we saw some tough volume, I would say they are definitely focused to the future right now, Thanos.

Thanos Moschopoulos

Okay. And then how do we think about operating leverage and recovery. So as volumes rebound, would you be able to keep corporate costs at similar levels? Or will some of the cost out to come back? And then I think used historically is when volumes ramp is a bit of a lag initially, right, where you get a bit of a hit on the net revenue margin until you optimize for a given volume? Or how do we think about that in recovery?

Brian Lang

Well, I think that's part of going through the exercise that we've gone through the past 12 to 15 months, Thanos. I think we've got the business now in a place where we are running the business incredibly efficiently. And because of the experience that we've had over the past 24 months, Thanos, going through the increase in volume and the decrease in volume, I think there's been a tremendous amount of institutional knowledge that's built up through that. So I think we are very well positioned right now from a staffing and a capacity standpoint to start taking on more volume. I think to your question around do we think we can maintain a somewhat similar cost base. That, of course, will be the focus for us. I think we're running quite lean and mean now, and I foresee that into the future. So I think that's generally how we're setting ourselves up for success when we do start seeing more of a recovery.

Operator

Your next question comes from Martin Toner from ATB Capital Markets.

Martin Toner

Can you talk a little bit about the competitive dynamics in both appraisal and title. I remember previously, you had mentioned that there's lots of these appraisal companies are up for sale, but there's really no bids. I mean, has anything -- any changes there at what rate are some of these

competitors disappearing? And what's the competitive response, if any, in terms of like being more competitive on price or anything else that those competitors or even more challenges than you guys are doing?

Brian Lang

Thanks, Martin. So I think we compete, as you know, in the Tier 1 space with fairly significant other AMCs on the appraisal side and large title insurance companies on the title side. And so we've actually seen very little change in that space, Martin. And of course, as you know, we stay completely focused on performance, and we've seen that we continue to remain at the top of scorecards on both sides of the ledger. So I think there hasn't been much change, both competitively, how they're competing with us nor within the space, your comments sort of around M&A activity going on within the market. Not a lot of that has been going on. I think folks are quite focused on managing the operations in the environment. We'll see how things go as we look forward and assume that over the next few quarters, we'll start seeing some rebound in volume. So I think that's probably the best way to position it, Martin. We're not seeing much competitively on the scorecards. We continue to remain at the top of the scorecards, and we're not really seeing that much activity in the market.

Martin Toner

Just wondering, any thoughts on the response from some of your big bank customers to how aggressive nonbank lenders have been here. I mean, strategically, it's problematic to be losing mortgage market share given how important that is to the overall customer relationship for the big banks. Are they doing anything that would sort of benefit you guys given the given the nature of your customer base?

Brian Lang

Yes. So I think -- well, I mean, fortunately, when you look at our customer base, Martin, across the businesses, we're fortunately, we've got a fairly diverse customer base. And so we've got a pretty good balance of the big Tier 1 banks along with some of the big nonbanks. So we're very fortunate to have that sort of balance in the portfolio. But to your point, the nonbanks have definitely, I think, because most of them have more of a refinance focus, Martin, they found it very difficult with the market where it is. So I think they've had to work a little harder than they may have in the past, both to make sure they secure some of that refi volume, but also to start pushing their way into purchase.

So I think one of the things that came out from that Wells Fargo announcement is their focus on making sure that their current customer base is very well serviced with mortgages. So I think all the Tier 1s definitely want to double down on that sort of dynamic. And then we'll see how things play

out over the next little while. But if we see some rebound in purchase, which I think the market expects in the back half of this year, Martin, it will be very interesting to see how those Tier 1s respond. And I think it will be a very dynamic market.

Martin Toner

That's really interesting. Last one for me, I'm surprised that people are more upset about the spread between treasuries and mortgage rates. I mean, you don't need to be a congress person to think that like someone needs to crack the whip here and make this spread come back. I mean, it's a bit of a tax on potential homebuyers, right? Any thoughts there on when that spread might normalize? And what like -- like what conditions need to be in place for that to start to happen?

Brian Lang

Yes. I mean as you mentioned, Martin, it is at sort of a historical high right now. We're up in the 280 basis points plus over the last couple of quarters. So it is significantly high. And our view is that there's opportunity there that as I think the rates were rising at the rate they were rising. And I think as that, we assume, plateaus over the next few quarters, I think we should see that spread start normalizing as I think we've talked about before, Martin, the long-term spread is -- averages around 170 basis points. So to your point, we're quite a bit above that. And in our view, that should mean there could be opportunity again in the next few quarters, where there could be some compression around that, which, of course, we keep that 30-year down a little bit lower than it's been up until now. So we'll have to see how that plays out. And to your point, it is higher than usual, and we assume that over time, it will start making its way down.

Operator

[Operator Instructions] Your next question comes from Richard Tse from National Bank Financial.

Richard Tse

You obviously have done a good job at keeping costs in check. In terms of the business going forward, can you maybe talk about areas that you may be investing in today? Or are you continuing to invest?

Brian Lang

Sure. Yes, I mean, Richard, as you know, where we stay laser-focused is on our 2025 targets that we've laid out, both market share and margin targets. And so when we take a look at how we're investing, we continue to invest to ensure that we're driving market share. So on the performance side of the ledger, we continue to invest in our network in the platform and making sure that we are doubling down on the network and advancing towards those goals that we've set out from a

market share standpoint. We also continue to invest in just the overall platform and our tech infrastructure.

And so we're going through quite a bit of work there. And the whole idea, of course, Richard, is in a time like this that we are ensuring that we're setting ourselves up for success on the other side of sort of the last 12-plus months of challenges on volume. So I think that's really where we're investing in. We've got -- I think the bench strength of the team is sort of at an all-time high right now simply because of the operating cost management that we've needed to do. So as I said a little bit earlier, I think both on the title business and on the appraisal business, I think the way in which we have now structured our teams sets us up very well for being able to manage our margins and costs as we look towards some more volume.

Richard Tse

Okay. And then I guess a related question on investments. No doubt the environment is challenging for a lot of companies. So with respect to these data prospects and potentially acquisitions there has kind of given you sort of ample time to make those evaluations and this takes you sort of closer to potentially consummating a transaction.

Brian Lang

Yes, exactly, Dan. So I mean that is -- sorry, Richard, that is an area where we are spending a good chunk of time is taking a look at how we set ourselves up for success when we are able to start putting our shoulder into that third leg of the stool, the data monetization. So we're hunkered down, very much focused on operations in an environment like this. But to your point, working with our tech team, we are looking at data 2.0 for the business longer term.

Operator

Your next question comes from Robert Young from Canaccord Genuity.

Robert Young

A couple of questions. Maybe the first one, you said your focus is on EBITDA neutral on a full year basis. And I know there's seasonality in the business. I think if we look at that on a quarter-over-quarter basis, I assume you're expecting EBITDA positive, maybe in Q3 most likely. Any thoughts on how the cadence of EBITDA might go through the year?

Brian Lang

Rob. Yes, so I mean, I think we look at the year, it's a bit of a tale of 2 halves on the year, which is the way the business in a more normalized environment works. So as you know, sort of Q1, Q2 are full

winter and then we turn to spring/summer for Q3 and Q4. The expectation from sort of the external resources like the MBA has a very bullish Q3 spring market attached to it. So they're upwards in the sort of the mid-40% expectation. I think we're probably a little bit more conservative when we take a look at that, and we're running the business to a slightly more conservative look on that.

But I think that's -- the first 2 quarters, I think, are usually quite similar in nature. Second quarter is usually slightly lower, just historically. And then Q3 to Q4, we are looking for some spring momentum and not quite, I think what the market is expecting, at least the MBAs and Fannies and Freddie's, but we are expecting a bump in Q3, Q4. So that will keep us focused on that EBITDA neutrality and getting that uplift in Q3 and Q4, Rob, for the -- for full fiscal year.

Robert Young

And then I think you said that you are in a lot of discussions with your Tier 1, probably Tire 2 customers on the recovery. And so I mean, given all the cost out that you're taking in the business, how do you give the Tier 1s confidence that you can weather this and then be there to scale if there's a rebound in volumes. I mean what sort of things are they looking at?

Brian Lang

Well, I mean, it's fortunate for us, Rob, they stay very focused on performance. And so even in an environment like we're in now, where we have taken some costs out of the business to make the business more efficient. We're seeing the same type of scores on our scorecards. And so that's really, I think, where our customers fortunately stay very pointed, is on that. And they know they've just -- we've just come through 2 years where we scaled up and really outperformed our competitors through '20 and into '21 through, as you know, one of the fastest increase in at least the last 20 to 30 years in volume, and we were able to manage very handily through that.

And one of the things that I always look at, Rob, is us becoming incredibly efficient and therefore, having very minimal scaling up and down within the business because our network is what actually is what scales up and down with the volume. And so I think you saw that through '20 and '21, especially in our Canadian business. We didn't move our OpEx up in our appraisal business. We had to move it up a little bit with refi volumes, the way they were, we had to do more work on title. And so that's, as you've seen us scale down, the goal will be, as the market starts normalizing, frankly, to keep our cost base very close to how we're operating today and only incrementally shift that because of the capabilities of our network to really flex out when we do have those increases in volumes.

Robert Young

Okay. And given the scorecard focus. Is there any opportunity maybe lagging? Or are you seeing it happen now? Is there a consolidation on, I mean, a smaller number of nationwide vendors like yourself? Or is that something that you think would play out through a recovery if it was going to happen?

Brian Lang

Well, no. So I think there is -- there -- we already know there is some consolidation going on, Rob, because we've been a beneficiary of some of that consolidation. So I think I'd assume for at least this quarter and potentially into next, but definitely, I think there's conversations going on right now at Tier 1s and some of the big Tier 2s to take a look at the group of vendors that they have and some of them still have, I think, in their view, too many right now. So I think we will definitely see some more of that consolidation this quarter and we'll see into the back half of the year.

Robert Young

Okay. And last question, just similar to Richard's question around where the areas investment are. Like maybe just if you could talk about where you're focusing the outbound sales effort looks like you're adding new channels right now. But where is the time being spent -- if you think about the time you spent on expanding the Tier 1 into title opportunity versus the channels that you're adding versus new customers? Where is the effort being sent to all past the line?

Brian Lang

Sure. I mean, Rob, it's a pretty good mix across the board, as you can imagine. So we had talked a little bit in the past around some focus on home equity. And so there has been some of that, and that's hence the comment that I made around Tier 1 moving into that space last quarter. I don't think we're seeing quite the home equity bump that we would have expected, and that's simply because I think the prime rate is quite high. which I think makes the cash out refi conversation, almost a more interesting conversation versus home equity.

But across the board, as you sort of see from the new customers that we've onboarded, Rob, that we're doing it across the businesses. I mean there, of course, is a real push on title, both that sort of home equity wedge strategy that we had, but also just going back at the performance equity that we've built with the Tier 1s and continuing to push that conversation. And I think we've made the appropriate investments that some of those lenders would be looking for in the business. So I think we're in -- we're really well positioned right now. As I say, I think it's when, not if, on the title side and appraisal will just keep bringing on some of those outstanding customers that we don't already have on the platform over the next few quarters.

Operator

Your next question comes from Martin Toner from ATB Capital Markets.

Martin Toner

Apologies if this has been covered, but rates are down, applications are up. How optimistic are you for the rest of 2023?

Brian Lang

Welcome back, Martin. That's a good question, Martin. And I would say that there's definitely been, I think, in the new year as we've come back. There's definitely in the market, I would say, a little bit more optimism, and that's everything from the Fed, Bank of Canada starting to talk about potentially slowing down the rate increases. And of course, we saw that here in Canada on Wednesday. So I think there's probably some optimism around that. Martin, we talked a little earlier today around the spread.

So there's maybe a little bit of optimism there. I think there continues to be demand in the market as we've talked about the millennials in the past. So I'd say there's some -- definitely some optimism there. Now the applications are up. They're up the last couple of weeks. We haven't seen that necessarily come through yet in orders. We've seen a very, very slight uptick, but we'll have to see, Martin, how this plays out over the next couple of quarters. And really, the big indication for us will be the spring bounce and how much of a bounce we get in the spring, call it, March and really into April. I think that will really let us know if there is some real optimism and if the homeowners are back in, right? I mean -- as you know, this has been -- they've gone through what I would consider a bit of a rate shock over the past 12 months with the sort of historic increase in the rate.

So if those can settle, and I think this will become a much more normalized environment, then I think that sort of trails out for us anyways to where we thought the market would be in 2025, which is above this, but not that much above because we thought it would be a fairly low normalized market. And we'll just have to -- we'll have to see how all those elements play out, Martin.

Lyne Beauregard

Operator, do you have any more questions?

Operator

There are no further questions at this time.

Lyne Beauregard

Thank you very much for joining our call today. Have a great day. Yes. I can hear you. Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.