



Real Matters Q3 2022 Conference Call - Transcript

July 28, 2022

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*

Richard Tse, *National Bank Financial*

Thanos Moschopoulos, *BMO Capital Markets*

Martin Toner, *ATB Capital Markets*

Robert Young, *Canaccord Genuity*

Presentation

Operator:

Good morning, ladies and gentlemen, and welcome to the Real Matters Third Quarter 2022 Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded today, Thursday, the 28th of July, 2022.

I would now like to turn the conference over to Lyne Beauregard. Please go ahead, Lyne.

Lyne Beauregard:

Thank you operator, and good morning, everyone. Welcome to Real Matters' financial results conference call for the third quarter ended June 30, 2022. With me today are Real Matter's Chief Executive Officer, Brian Lang; and Chief Financial Officer, Bill Herman. This morning before market open, we issued a news release announcing our Q3 results for the three months ended June 30, 2022. The release, accompanying slide presentation, as well as the financial statements, 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 reflect 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 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, 2021, which is available on SEDAR and in the Investors 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 three- and nine-month ended June 30, 2022 where you will also find reconciliation to the nearest IFRS measures.

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

Brian Lang:

Thank you, Lyne. Good morning, everyone, and thank you for joining us on the call. I will kick things off today by discussing some of the highlights of our third quarter 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 \$78.7 million, consolidated net revenue of \$18.1 million, and consolidated adjusted EBITDA of \$0.1 million in the third quarter. The business delivered solid market share gains and strong operational performance as we continued to weather very challenging mortgage market headwinds.

We ranked at the top of scorecards in U.S. Appraisal, which resulted in market share gains with some of our largest clients. And we also expanded our net revenue margins in U.S. Appraisal by 130 basis points. In U.S. Title, we continue to perform at the top of our Tier 1 and 2 clients' scorecards and expanded our year-over-year share with a key Tier 2 client.

In today's lower volume environment, lenders have begun to reduce the number of vendors they use, and top performers like us stand to benefit from vendor consolidation as a result. Mortgage

rates rose further in the third quarter, reaching the highest level since 2008 at nearly 6%. The purchase market showed tepid demand in the early part of the spring buying season while rate refi demand has declined significantly with little rate incentive remaining at today's 30-year mortgage rate.

Over the past 60-plus years, the 10-year Treasury yield has never risen more than five quarters sequentially. And of the five times it has, in four of those occasions, the rise in the 10-year Treasury yield was followed by a similar fall in the four quarters that followed. The rapid rise in home prices and mortgage rates has caused affordability metrics to reach levels never seen before, even during the housing bubble in 2003 to 2007.

In particular, the median mortgage payment relative to median incomes now exceeds 27% compared to the historical high of 25% in 2006. Home prices relative to median incomes recently hit 4.9x exceeding the record high of 4.2x seen in 2005. We estimate the U.S. mortgage origination market volumes were down 50.6% in the third quarter with purchase transactions down an estimated 17% and refinance transactions down an estimated 76.2%.

U.S. Appraisal mortgage origination revenues, which includes purchase and refinance, were down 38.7% year-over-year compared to an estimated 39.5% decline in total addressable origination market volumes, as market share gains and new client additions helped soften the impact of the market decline. We increased market share with five of our largest clients year-over-year, and we launched two new lenders in U.S. Appraisal. Our market estimate includes a year-over-year decline in the use of GSE waivers, which is in due in large part to the significant decline in rate refinance activity.

As we discussed during our second quarter call, Americans have more equity in their homes than ever before, and we are working with our clients in leveraging our platform to help consumers take advantage of their tappable equity. We saw the early stages of this trend in our third quarter results, as other revenues in our U.S. Appraisal segment increased 53% year-over-year to \$8.3 million, principally due to higher home equity volumes serviced.

In our U.S. Title segment, third quarter centralized title revenues declined 83% year-over-year against an estimated market decline of 76.2%. Performance remains the key driver of growth in our U.S. Title business as we continue to advance the sales cycle with more franchise-type clients and convert the pipeline to new client launches. We launched two new title clients in the third quarter.

In our Canadian segment, third quarter revenues were down 3.3% year-over-year, due principally to FX and lower market volumes for appraisal services, which were partially offset by increasing market share with a number of our large Canadian bank clients and modestly higher revenues from insurance inspection services.

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

William (Bill) Herman:

Thank you, Brian, and good morning, everyone. Turning to slide 4 and 5 for a closer look at our financial results. U.S. Appraisal segment revenues decreased 32.9% year-over-year to \$57.3 million due to lower addressable market volumes, which was partially offset by market share gains with existing clients and new client additions.

Transaction costs in our U.S. Appraisal segment decreased 34% year-over-year, leading to a 130-basis-point expansion of net revenue margins to 22.6%, and delivering net revenues of \$12.9 million. The expansion of net revenue margins was due in part to the mix of mortgage origination volume service and leveraging our field professional network in a lower market volume environment. This was partially offset by an increase in lower margin home equity volume service.

Operating expenses in this segment decreased 9.8% to \$6.8 million due to lower payroll and related costs and lower office, computer, and communication expenses. Adjusted EBITDA in our U.S. Appraisal segment declined to \$6.1 million from \$10.5 million in the third quarter of fiscal 2021. And adjusted EBITDA margins contracted to 47%, owing in large part to lower addressable market volumes.

Turning to our U.S. Title segment, revenues declined 79.8% year-over-year on lower estimated refinance market volumes. Diversified revenues totaled \$0.3 million and represented a decline of \$1.3 million from the third quarter of fiscal 2021 due to rationalizing this service offering last year. Transaction costs in our U.S. Title segment decreased 74.8%, and net revenue margins declined to 59.2% from 67.2% in the third quarter of fiscal 2021. The contraction in net revenue margins was due to servicing a higher proportion of lower margin home equity volumes and servicing a lower proportion of incoming origination orders, order volumes that closed.

Operating expenses in U.S. Title decreased 53.1% to \$6.7 million from \$14.4 million in the third quarter last year due to lower volume service. As we navigate through this part of the mortgage cycle, we have been aligning our cost structure to a lower market volume operating environment. Our business is built at scale, which allows us to benefit from outside margin gains on the upside. It also

affords us the opportunity to scale down our cost structure in times like these. We posted an adjusted EBITDA loss of \$3.4 million in the third quarter of fiscal 2022, down from the \$4.3 million we generated in the same quarter last year, owing to the impact of lower refinance volumes.

In Canada, revenues decreased 3.3% on a year-over-year basis to \$15.8 million, while net revenue margins expanded by 80 basis points due to the mix of appraisal services supplied, leveraging our field professional network in a lower market volume environment and higher net revenue margins from insurance inspection services. Canadian segment operating expenses were \$0.6 million in the third quarter, up from \$0.5 million in the third quarter of fiscal 2021. And adjusted EBITDA margins decreased to 69.6% from 70.6% in the same quarter last year due to modestly higher operating expenses.

In total, third quarter consolidated net revenue was \$18.1 million, compared to \$38.6 million reported in the third quarter of fiscal 2021 on lower revenues generated by our U.S. Appraisal and U.S. Title segments, which was due in large part to lower addressable market volumes.

Consolidated net revenue margins were 23.1% in the third quarter, down from the 29.8% we posted in the third quarter of fiscal 2021, reflecting lower proportion of net revenues generated by our U.S. Title segment and lower net revenue margins in the segment due to servicing a higher proportion of lower margin home equity volumes and a lower proportion of incoming order volumes that closed.

Consolidated adjusted EBITDA was \$0.1 million in the third quarter of fiscal 2022, down from \$11.8 million in the same quarter last year. Consolidated adjusted EBITDA margin decreased to 0.4% due primarily to the performance of our U.S. Title segment and lower market volumes. In the quarter, we purchased 5 million shares at a cost of \$20.6 million. And since going public in 2017, we have purchased 24% of our outstanding shares.

We ended the quarter with cash and cash equivalents of \$53 million at June 30, 2022. We are very comfortable with our existing cash and cash equivalents balance, which we believe is more than sufficient to weather the downside of the current mortgage market cycle. We will continue to be thoughtful about capital allocation going forward, being opportunistic with our current NCIB while maintaining a strong balance sheet.

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

Brian Lang:

Thanks, Bill. While today's mortgage market environment presents some challenges, Real Matters is on solid ground. We have a healthy balance sheet, and the fundamentals of our business remain strong. We continue to win market share based on our performance, and we are focused on managing our margins and costs as we navigate through these market headwinds.

Our sales team is laser-focused on leveraging the home equity opportunity to expand our channels with existing clients and to win new title business. Our business was built on the fundamental principle that scale, network management, and performance would allow us to weather the peaks and valleys of the mortgage origination market.

As Bill said earlier, it's what allows us to generate strong incremental margins in higher volume environments, and it's also what affords us the flexibility to adapt to lower volume environments while still winning market share and taking advantage of market disruptions to win new business. We are steadfast in our commitment to these fundamental principles as we manage the business through this part of the cycle and remain focused on the long-term earnings capacity of our franchise. We remain confident in our fiscal 2025 objectives.

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

Operator:

[Operator Instructions] Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Daniel Chan of TD Securities. Please go ahead, sir.

Daniel Chan

Hi. Good morning. So, there seems to be downsizing across the entire industry, and you guys have been downsizing as well. Just what are your plans for capacity going forward? Are you done with the downsizing or is there more to come? Just any color on how to think about margins, how you manage margins would be helpful.

Brian Lang

Sure. Morning, Dan, and thanks for the question. Yeah. So, listen, as we discussed, we've got a very flexible cost structure that we can scale up and down to weather the peaks and valleys, and so that will very much depend on where the market goes as we head into the next few quarters. We have, this quarter, been laser-focused on keeping the business EBITDA-neutral. And so depending on the volume over the next upcoming quarters, we will continue to keep that type of operational execution and focus on keeping the OpEx or our operating costs in line with the volume.

Daniel Chan

Okay. Thanks. That's helpful. And then on the share repurchases, you did say you'd be opportunistic with the NCIB. Just wondering whether there is a cash level that you'd like to keep on your balance sheet.

Brian Lang

Yeah. So, in the past, we've talked, Dan, and very much today is the case that because of the Tier 1 type base of customers that we've got, we've always felt that between somewhere between \$25 million and \$50 million was the right amount of cash for us to have on hand. As you know, of course, we've got no debt. We closed the quarter at \$53 million in cash. So, I think on the NCIB, as you know, we have been, I think, very thoughtful working with our board. This past quarter, we took the outstanding shares that we bought since IPO, we've taken that up to 24%. And so as we look forward, I think we'll be very thoughtful about the NCIB. We did meet with the board yesterday. And so we'll continue to be active, but I think you'll see it at much lower rates. So, we will be active, but definitely with lower engagement, lower numbers.

Daniel Chan

Okay. And then just one last one. Obviously, a very challenging market. When you look at the opportunities in the market, what's the bigger opportunity? Is it winning new clients or is it winning share at existing clients? You did talk about the opportunity to consolidate. So, just wondering how your go-to market is being adjusted, just given the dynamics there. Thank you.

Brian Lang

Great. Well, I think, Daniel, you almost answered the question with the three elements that you threw in there. So, I think the first element for us is, we will continue to focus on our performance, which, as I mentioned, we had a very solid quarter from a performance and therefore market share allocation. We were top of scorecards with our Tier 1s on the Appraisal side. And therefore, we were granted market share with 5 of our top 10 this past quarter. So, I think solid performance there.

On the Title side, we're top of the scorecard with our Tier 1 and Tier 2s. And so we were allocated some share with our Tier 2 in the quarter. So, that fundamental principle that drives the business that our network can outperform the others, Dan. We'll continue to focus on that even as the volume is lower. And so our expectation is that there's market share gains there.

The second piece is consolidation. So, we've actually seen some of that this past quarter, at least on the Appraisal side of the business, where we've seen our lenders take a look at the portfolio of providers that they have and narrowed those down. And because of where we stand on the

performance scorecard, not surprisingly, we end up picking up share when they do downsize their vendor group. It also opens up opportunity on the Title side of our business to actually insert some of the sales conversations that we're having in the refi space, Dan, to leverage all that good work we are doing on Appraisal to insert ourselves when they are thinking about that on the Title side.

And the third piece is around home equity. And so you saw that in our numbers on the Appraisal side of our business this past quarter where we were up 50% in other revenue, and that's mostly home equity. And so the team has done, I think, an excellent job ensuring that we are prepared for what we assume will be a continuing uptick in home equity volume. And the real focus on home equity for us is, we want to – that opens up another avenue of conversation on the Title side of the business where we win home equity. We get into the home equity space. Our view is, that allows us the opportunity to move into all of the title space, including refi.

So, those are really the three big drivers from a sales and opportunity standpoint, Dan, going into Q4.

Daniel Chan

Thanks, Brian. I'll pass the line.

Brian Lang

Thanks, Dan.

Operator

Your next question comes from Richard Tse of National Bank Financial. Please go ahead, sir.

Richard Tse

Yes. Thank you. Brian, just wondering if you could maybe elaborate a little bit in terms of the share gains on the Appraisal side. Can you maybe sort of point to or give us a bit of color on who you're taking that share away from most?

Brian Lang

Yeah. Richard – good morning, Richard. I think the story pretty well remains the same, that there's sort of two things going on. One is, over the refi boom and the increase in volume. Some of our Tier 1s added more sort of regional players so that they could service some high volumes in certain parts of the U.S. And so I think when you see the volume start to come down, which, of course, it did not just on refi this quarter, but also on purchase.

They take a look at their vendor base, and usually they stick to their national players. That's where they focus their attention and therefore remove some of the more regional players. So, I think that's one piece that we are definitely seeing starting to play through. So, it's that consolidation piece.

And so the other piece, of course, is just the performance back to our networks, being able to deliver better performance. As I said, across the board this last quarter, we were number one with all of our big Tier 1. So, we are taking share from the – frankly the big national competitors that we have, generally across the board. So, I mentioned 5 of 10. That's – a piece of it's consolidation, a piece of it is just over-performance.

Richard Tse

Great. And then with respect to Title and Close, what's the status of the discussions with the Tier 1s in terms of their expanding into that side of the business here?

Brian Lang

So, I think the conversations, as you can imagine right now, Richard, are somewhat challenged simply by the market dynamics on what's going on in the market. A lot of lenders are very internally and inward focused right now. They're figuring out capacity. Some of the big Tier 1s that actually exited home equity are now thinking about getting back into home equity. So, they've got strategic and operational priorities that they're managing through.

The RFPs remain open. So, we've reconfirmed that with the big Tier 1s that we're in discussions with. So, I assume those will move forward, but they may move forward at a slower pace, of course, than we'd like.

The two opportunities, I think, number one is with the Tier 1 that we have. There's an opportunity in the upcoming quarters to open up a second channel with them. There's two channels that they have, a direct and a retail channel. We're in one of the two channels. And it's been made clear to us that there's an opportunity in the second channel once they are technically capable. So, I think that's one opportunity.

And then the second one, of course, is around home equity, and the conversations we've had around that. So, our sales team is very focused on making sure we're having a robust conversation with the targets that we have, not only around title refi, but also being able to support them as the home equity volume we assume will continue to increase over the upcoming quarters.

Richard Tse

Okay. And just the last one for me. Obviously, you're doing a good job at [indiscernible] (00:24:31) the business in this sort of difficult backdrop. So, when it comes to things like the data strategy you talked about years back, do you kind of see that, let's say, as being kind of put on the back burner a little bit or are you still sort of pursuing that in terms of where you want to go a few years out from now?

Brian Lang

Yeah. So, we spent the day with our board yesterday reviewing our strategic plan, which we do every year. And the discussion, of course, was around 2025 and the different pillars that we have. And we've talked about the three legs of the stool, so took them through appraisal title, and the data strategy. And I think where we sit right now, Dan (sic) [Richard], I think the data strategy, although there's things that we can do within – organically within the business, the real focus will be an acquisition longer term. And where things sit right now from a price standpoint and just a market standpoint, I would definitely say that it is – it's on the back burner.

The focus remains right now on the targets that we set in 2025, which we, again, feel very confident about around market share and the margins. And so in the short term, operational execution is definitely center play.

Richard Tse

Okay. Great. Thank you.

Brian Lang

Thanks, Richard.

Operator

Your next question comes from Thanos Moschopoulos of BMO Capital Markets. Please go ahead.

Thanos Moschopoulos

Hi. Good morning. Brian, regarding the waiver usage, you mentioned how it's come down because of the purchasing refi mix. Although looking at the industry data, it seems that waiver usage just among refis has also come down. Any color for why that would be the case?

Brian Lang

Good morning, Thanos. Yeah. I mean, I think if we play back the reel about a year ago, and maybe even a year and a half ago when the waiver rates did go up, our view at the time was that that was the right thing to do with the tremendous surge in demand that came into the market, and the function of the GSEs is to help provide liquidity and stability to the market. So, I think them raising the waiver rates made sense. And I think what we said was we assume that over time, that would start coming down to sort of pre-pandemic rates, and I think that's what you're seeing, Thanos. So, you're seeing them sort of move back into what I would call a pre-pandemic positioning with the rates dropping down as you saw this quarter down sort of around the 10% from the 19.9% that we had last quarter.

So, I think it's just the way the GSEs function. I think they step in and get quite involved when they need to. And in this particular market, I think they're taking a step back, and that's why we see them looking a lot more like they did from a pre-pandemic standpoint.

Thanos Moschopoulos

And maybe sort of a related question, late last year, the GSEs announced a push to use more desktop appraisals. And so what are you seeing in that regard?

Brian Lang

Yeah. So, they did announce that. And we've seen, at least in our business, very, very little movement on that right now, Thanos. So, we'll see what happens over time. But to-date, our desktop volume really hasn't moved in any way that we would assume that it would move. So, we really haven't seen too much of any progress really in moving – in that moving forward in the market.

Thanos Moschopoulos

Great. Thanks. I'll pass the line.

Brian Lang

Thanks, Thanos.

Operator

Your next question comes from Martin Toner of ATB Capital. Please go ahead. Mr. Toner, your line is open.

Martin Toner

Hey. Thank you. Can you guys hear me?

Brian Lang

Yes.

Martin Toner

In the past, you have mentioned a number of reasons that kind of create a floor for refinance volumes, even in interest rate environments like this. Are you seeing – where would you say the market is right now relative to where you think the floor could be? I mean, can it, like, dive below that floor for a time, especially times like this, when there's a bit of a shock? I'm just kind of trying to get my head around what that market could look like, even with far fewer people in the money to refinance.

Brian Lang

Morning, Martin, and you're putting me on the hot seat, as usual, to forecast what's going to happen from a rates and market standpoint, which I appreciate. So, I think what we're looking at is, we're looking right now at refi starting to come down to its really historically low levels. Again, if you take a look at our 2025 strategy that we laid out at Investor Day in 2020, we've assumed that the market would be bottom-bouncing and that we would be looking at a \$2 billion TAM on the refinance side by 2025. So, I mean, that's the way we looked at bottom-bouncing. I don't think we're that far off of that from a bottom bounce. So, in the next quarter or two, assume that we'll be in and around that area.

To your comment around could we go well below it, the market would have to tell us about it. As we've said, there are some conditions in there, Martin, things like people need to refinance their mortgage every year. I mean, mortgages come due every year. So, we sort of look at a 4% of renewals need to happen each year. And so there's going to be some refi in the market. You've also got, not just rate refi, but you've got cash outs in the mix.

And so it just very much, of course, depends on rates. And so we'll have to see what happens with rates over the next little while. We're prepared on that side. But if rates do continue to click up, as we've mentioned, our assumption is that home equity will potentially become a larger player. And on that front, we've been delivering home equity for years, and we will continue to use that as a lever, depending on the volume that comes in around home equity on the Title side of our business to continue to make inroads on the refi side. So, I'd say that's the way we're looking at the refinance market over the next couple of quarters.

Martin Toner

Great. Thank you. And so rate – so cash out and home equity is helping in Appraisal. Are you seeing that in cash out? Are you seeing that help for both cash out and home equity in Title?

Brian Lang

Are we seeing the same type of help from cash out? The cash out rate is below market where – sorry, below, Martin, below where generally historically it's been. And that's because usually the way American consumer looks at tapping into their equity in their home is one of two ways. They either decide they're going to do cash out or they're going to do home equity. So, as I say, it's very sort of rate-dependent on which avenue they go down. And as we mentioned, we've seen the rate – the home equity increase on the Appraisal side of the business. We haven't seen as much of that home equity increase yet on the Title business. But the assumption, Martin, is that one of those two will come into play, and we will respond and manage the volume depending on whether it's a cash out or it's home equity.

Martin Toner

Great. Thanks. And the Tier 2 new lender you mentioned, was that in Title or Appraisal?

Brian Lang

The Tier 2 lender that we gained market share with was in our Title business. As you know, we've got a couple of Tier 2s and we've got a Tier 1, Martin. So, one of the Tier 2s was the one that we gained market share within Title in the quarter.

Martin Toner

All right. Fantastic. That's all for me. I'll pass the line.

Brian Lang

Thanks, Martin.

Operator

[Operator Instructions] Your next question comes from Robert Young of Canaccord. Please go ahead.

Robert Young

Hi. Good morning. I think you've said earlier in the call that the RFP process on Title was expected to be a little bit slower. And I was curious if you can just talk about maybe some of the catalysts that we can watch for that might be a sign that, I mean, some of the Tier 1s might get more open to this.

I know in the past the suggestion that if business were a little bit slower, that might give them more time to consider newer vendors in Title. I guess now they're distracted with other things, and I was just curious if you think for what might be something that you would look at that might be a sign or a catalyst for more RFP there.

Brian Lang

Thank you. Morning. I think from a macro view, Rob, if the market would settle itself and some of the big moving pieces would settle, I think it would probably really, really turbocharge, frankly, the sales effort. I think because of the moving pieces that are currently going on in the market with the rate movement, with – everything from that to affordability, to inventory, there's a lot of things I think the lenders are working through right now and considering. And we've mentioned the flex into home equity for those that are out of home equity to potentially get back into home equity. So, there are sort of some of those big decisions that are being made within lenders. And, of course, looking at what's going on with the Fed as happened yesterday, what's the impact on the overall rates, I think that's going to – if that became a little more settled, Rob, I think that would make for a much easier conversation with some of the lenders that we have, and it would move things along a fair bit.

I think the area that we've been focused on is pivoting and trying another area of advancement with those lenders, which is around the home equity space. So, it's something we put a little bit more on the front burner where it may have been a little more on the back burner in the past from a sales perspective. And because we think there is home equity volume that's going to come in, and as some of those players get back into home equity, I think it's an excellent opportunity for us to make inroads there and use that as a launch pad over into the refinance side on Title.

Robert Young

Okay. And then I imagine some of the facts here would be similar, but on decentralize title, the step into that business is – should we think about that similar to M&A? Is that something that might be delayed, or is that something you might look at more seriously now in a different type of a market?

Brian Lang

We'll continue to look at it, Rob. It continues to be something that we've got some of the team working on. But I think, as I say in this market, doing things incredibly differently, dynamically, more uniquely, being really innovative with lenders, it's tough to get bandwidth from them to really focus on doing some things a little differently. And as you know, through our conversations in the past around purchase title, our focus is to definitely do things in a different way than they're being done today. We think that's the real opportunity. And so I think lenders are very focused on operations and on strategy in certain areas. And our team is, as I mentioned, really focused, Rob, on

operational execution in the very near term to make sure that we're running the business in line with what's going on in the market.

Robert Young

Okay. Maybe two other smaller ones. The consolidation opportunity with some of the lenders, is that early? Is there a lot of opportunity there? I think you said that nationwide, a lot of the nationwide lenders have providers that are not nationwide. Is there a big opportunity for consolidation there yet to go?

Brian Lang

Yes. So, I would say the answer to that is yes. We think there is a real opportunity around consolidation. As I say, they're probably a little bit focused in very short-term OpEx type works. You've seen some of the challenges that those players have had from a people standpoint. I think now they're starting to look at their vendor bases, and I think there's reviews, I know. I mean, of course, we're involved in some of them. But I – we think there is definitely a good opportunity to continue to find market share gains through consolidation over the next few quarters.

Robert Young

And last one for me is just around the net revenue margins. In the lower volumes, is there an opportunity to retain more of the economics relative to what you pay out to the appraiser or the notary or whatever a field agent may be?

Brian Lang

I think that was a – back to the operational execution and the focus on that. Rob. That, of course, has been a significant focus on both sides of the border this past quarter, and I think we've seen that in the results. So, you saw both the U.S. up 130 basis points; in Canada, up 80 basis points. So, very strong performance from both of them, I think, around managing the net revenue margins and taking advantage of the network. As we've always said, this is the – the real long-term market value in the network is that we can scale up and down. And when the volume does start to come down, we can then manage the cost structure of it in line with those volumes and definitely drive stronger net revenue margin.

So, again, this is for me anyways; and I think for the board when we took them through this, this is what the expectation is. And I think when we look out to 2025 and the margin targets that we've set, we think we're now definitely – continue to be on path to hit those targets.

Robert Young

Okay. Thanks. Thanks for taking the question.

Brian Lang

Thanks, Rob.

Operator

Ladies and gentlemen, there are no more questions from the phone lines, so this will conclude your conference call for [indiscernible] (00:39:27). We would like to thank everyone for participating and ask that you please disconnect your lines.