



Real Matters Q2 2026 Conference Call - Transcript

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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

Richard Tse, *National Bank Capital Markets Analyst*

Rob Young, *Canaccord Genuity, Analyst*

John Shao, *TD Cowen Analyst*

Thanos Moschopoulos, *BMO Capital Markets Analyst*

Presentation

Operator

Good day, and thank you for standing by. Welcome to the Real Matters Second Quarter 2026 Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to Lyne Beauregard, Vice President, Investor Relations and Corporate Communications.

Please go ahead.

Lyne Beauregard

Thank you, Operator. And good morning, everyone. Welcome to Real Matters financial results conference call for the second quarter ended March 31, 2026.

With me today are 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 three and six months ended March 31, 2026. The release, accompanying slide presentation as well as the

financial statements and MD&A are posted in the financials 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 titled, 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, 2025, which is available on SEDAR+ and in the financial section of our website.

As a reminder, we refer to non-GAAP measures in our slide presentation including net revenue margins, adjusted net income or loss, adjusted net income or loss per diluted share, adjusted EBITDA, adjusted EBITDA margins.

Non-GAAP measures are described in our MD&A for the three and six months ended March 31, 2026, where you will also find reconciliations to the nearest IFRS measures.

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

Brian Lang

Thank you, Lyne. Good morning, everyone. And thank you for joining us on the call today.

Our second quarter results built on the strong momentum we saw in the first quarter as we reported consolidated revenues of \$47.2 million, up 27% year-over-year, and consolidated net revenue increased 35% to \$13.6 million.

Real Matters delivered its strongest consolidated adjusted EBITDA results in seven quarters in Q2, generating a profit of \$0.9 million, a notable improvement from a \$1.9 million loss in the prior year quarter, reflecting robust revenue growth and enhanced operating leverage across the U.S. Appraisal and U.S. Title segments.

We launched seven new clients in the second quarter including one of the largest non-bank servicers in U.S. Title. Our U.S. Appraisal origination transaction volumes increased by 22% year-over-year and our origination volumes more than tripled in U.S. Title.

Our financial performance in the second quarter continued to reflect the positive effects of new client launches, increased market share and enhanced operational efficiencies. We also benefited from moderate market tailwinds in the first half of the quarter. These outcomes underscore our business model's capacity to deliver considerable operating leverage as transaction volumes grow.

In U.S. Appraisal, we maintained leading positions on lender scorecards, and we demonstrated strong operating leverage as an 18% increase in net revenue drove 41% year-over-year growth in adjusted EBITDA.

We also recorded significant improvements in our home equity and other revenues driven by market share gains with existing clients.

U.S. Title origination volumes were up 268% year-over-year, driven by net market share gains with existing clients, new clients, and moderate refinance market tailwinds.

To put this in perspective, U.S. Title refinance origination volumes for the second quarter were equivalent to the total volume we processed in each of fiscal 2023 and fiscal 2024.

We posted an adjusted EBITDA loss of \$400,000 in U.S. Title, putting the path to profitability in this segment well within our sights.

We launched four new title clients in the second quarter including one of the largest non-bank servicers. And subsequent to the end of the quarter, we launched our third Tier one lender and another top 100 lender. The momentum we have built in U.S. Title with a growing client base that now includes three Tier one lenders and one of the largest non-bank servicers positions this segment as an increasingly important growth engine for the company.

With this increase in our title volume run rate and anticipated sales pipeline momentum, we are approaching an inflection point in the Title business that will require us to invest in capacity to onboard new clients and scale up.

Turning to Canada. The business launched three new clients in the second quarter. We delivered modest revenue and net revenue growth despite a decline in mortgage market volumes and Canadian net revenue margins reached a record high of 19.9%.

With that, I'll hand you over to Rodrigo. Rodrigo?

Rodrigo Pinto

Thank you, Brian. And good morning, everyone. The U.S. mortgage market experienced robust momentum at the beginning of our second fiscal quarter, supported by declining interest rates and

narrower mortgage spreads. The pace of activity then decelerated in March as geopolitical tensions surfaced and interest rate edged higher.

The 30-year mortgage rate opened the quarter at 6.15% and reached an intra-quarter low of 5.98%. However, mortgage rates reversed sharply in March, closing the quarter at 6.4%, driven by upward pressure on the U.S. 10-year treasury yield, slowing origination growth.

Lastly, the average 10-year yield and 30-year mortgage spreads narrowed to below 200 basis points during the quarter. The modest decrease in mortgage rates mid-quarter prompted growth in refinance market originations, although from a low base. Meanwhile, purchase market origination volume experienced only modest growth, consistent with industry estimates.

Turning to our second quarter financial performance. I'll start with our U.S. Appraisal segment, where we recorded revenues of \$33.7 million, up 26% from the same period last year.

Revenues from mortgage originations increased 24% year-over-year. Home equity revenues increased 30% year-over-year and accounted for 26% of the segment's revenues, reflecting a higher addressable market for home equity transactions and net market share gains with existing and new clients, and other revenue increased 61% year-over-year due to continued net market share gains.

U.S. Appraisal net revenue was \$8.6 million, up 18% from the second quarter of fiscal 2025. Net revenue margins decreased by 170 basis points year-over-year, primarily due to the distribution of transactions volumes as it relates to geographies, clients and product mix.

Second quarter U.S. Appraisal operating expenses increased 6% year-over-year to \$5 million, driven mainly by higher salaries and benefit costs. We generated U.S. Appraisal adjusted EBITDA of \$3.6 million up 41% from the prior year quarter and adjusted EBITDA margins expanded by 670 basis points to 41.1%, reflecting strong operating leverage as volumes increased.

Turning to our U.S. Title segment. Second quarter revenues increased 127% year-over-year to \$5.1 million, driven mainly by refinance origination revenues, which increased 271% due to market share gains with existing and new clients as well as higher market refinance volumes.

Home equity revenues increased 54%, supported by market share gains with existing clients and growth in reverse mortgage transactions with new clients.

U.S. Title net revenue was \$3.3 million, up 176% from the second quarter last year, and net revenue margins improved to 63.3% from 52.1% in the second quarter of 2025. This margin expansion was driven by higher volumes serviced which diluted our fixed costs and a higher proportion of incoming order volumes that closed.

U.S. Title operating expenses increased 12% year-over-year, primarily due to additional hires to accelerate the deployment of new title clients and to a lesser extent, salary increases and higher benefit costs.

We reported an adjusted EBITDA loss of \$0.4 million for the U.S. Title segment, a significant improvement compared to the \$2.1 million loss in the second quarter of fiscal 2025. Consistent with prior periods, more than 85% of the incremental net revenue generated during the quarter flowed to the bottom line, demonstrating the operating leverage and current business as volumes scale.

In Canada, second quarter revenues were \$8.4 million, consistent with the prior year as lower mortgage market volumes were largely offset by foreign exchange. Net revenue increased 5% to \$1.7 million, driven by improved net revenue margins which hit a record high of 19.9%, while our adjusted EBITDA increased to \$1.1 million. Adjusted EBITDA margins decreased slightly due to modestly higher operating expenses.

Overall, in the second quarter, consolidated revenue increased 27% year-over-year to \$47.2 million and consolidated net revenue increased 35% to \$13.6 million, primarily driven by continued strength in our U.S. Appraisal and U.S. Title segments.

We delivered positive consolidated adjusted EBITDA of \$0.9 million compared to a loss of \$1.9 million in the second quarter of fiscal 2025, representing our strongest consolidated adjusted EBITDA result in seven quarters and reflecting meaningful operating leverage as volumes increased due to new clients and market share gains and improved market conditions.

We ended the quarter with a very strong balance sheet with no debt and cash of \$41.7 million at March 31, 2026. The decrease in our cash balance from the prior quarter was mainly due to the timing of collections and changes in working capital.

We've always emphasized that our main goals are to attract more clients, increase market share and boost volumes on our platform while keeping our balance sheet robust. Higher volumes will allow us to improve operational efficiency and improve margins.

As Brian outlined earlier, with the increase in our transaction volumes and the momentum in our sales pipeline, our current capacity is reaching an inflection point. However, we remain committed to scaling operations in response to volume changes while maintaining discipline with our investments and expenses.

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

Brian Lang

Thank you, Rodrigo. Our second quarter results delivered strong consolidated growth, sustained momentum in our sales pipeline and meaningful operating leverage. We posted impressive year-over-year growth in our U.S. Appraisal and U.S. Title segments.

U.S. Appraisal revenues increased 26%, while adjusted EBITDA surged by 41%, underscoring the robust operating leverage in our model. The U.S. Title segment saw tremendous revenue gains driven by expanded market share, new client volumes and higher refinance origination volumes.

Our net revenue margins improved significantly and operating losses narrowed, marking a substantial step forward in this segment's financial performance.

We posted another quarter of positive adjusted EBITDA, making Q2 the strongest result in seven quarters and highlighting meaningful operating leverage from increased volumes and improved market conditions.

Our balance sheet remains exceptionally strong with no debt and a healthy cash position.

Currently, there are approximately 13 million mortgages with interest rates exceeding 6%. Notably, the number of mortgages with rates above 6% has surpassed those below 3%. This reflects a rebalancing in the distribution of interest rates across outstanding mortgage debt, suggesting a transition toward a more normalized market structure.

As a result, there is a considerable base of prospective refinanced candidates which may contribute significantly to volume growth in the coming years.

Looking ahead, we are optimistic about the improving fundamentals in the U.S. mortgage market and confident that our strategy of client growth and market share expansion will continue to drive value for shareholders. The momentum we have built positions us for continued success, sustainable growth and the achievement of our target operating model.

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

Question and Answer Session

Operator

(Operator Instructions) Our first question comes from Richard Tse with National Bank Capital Markets.

Richard Tse

Yes. Congrats on a good quarter here. It looks like Title is really picking up some steam. If you, kind of, look back in terms of this momentum with the wins, how many of those wins are on a proportionate basis are actually influenced by your incumbent status as a service provider on the appraisal side.

Brian Lang

Thanks for the question, Richard.

I think as we've outlined over the last few years, one of the key points of leverage, we think, around the Title business is the fact that we have built up so much performance equity being the number-

one provider for the big players on our Appraisal business. So a core part of our strategy in Title has always been to cross-sell these appraisal customers over onto the Title platform.

So to address your question head on, a good proportion of the new sales that we're doing are definitely those customers from the Appraisal book that are moving into the Title's stable. That being said, you'll remember that we have invested in new sales. We did make that call almost a year ago and told you that, that was a portion of what we were doing was taking a look at other areas where we thought there was opportunity for new customers.

So an example of that would be the non-bank servicer that we brought on the platform. That, of course, is outside. This is not a customer of ours on the appraisal side. And it's sort of a new area for us to find new customers.

So although there's a good mix, we definitely are taking advantage of all the equity we have built on the appraisal business, moving some of those customers, but at the same time finding new types of customers that we can bring on.

Richard Tse

Okay. And then sort of related, when you do have these sort of wins, whether it be kind of you being -- having the incumbent status or just brand-new wins, are you replacing kind of internally built systems or kind of other outside vendors here most often?

Brian Lang

Yes. Thanks, Richard. Really good question. And so when we talk about banks like when we talk top 100 banks, most of the time we're talking about incumbents that they have on their platform, so competitors of ours, and thus, either replacing competitors or digging into market share of those competitors.

With some of the non-banks, they are ones that are more likely to have captives. And so some of those banks are looking to either add outside participants, outside vendors to come in.

And I think a lot of this, Richard, is built around -- we've had some bumps up in refinance volume over the last 18 months. We can go all the way back to the fall of the year before last as well as last fall, and we even had a little bit of that at the start of this year, where refinance volumes surge over a short amount of time that does set off some alarm bells for some of our customers because it lets them know that refi can move and it can move with some pace.

And so I think that, frankly, has been a big help, along with the sales talent that we've brought on to really start unlocking this pipeline which you've been very patient along with others, and our teams had to be quite patient to actually start unlocking it. And I think we're now seeing the fruit of that labor over the last 18 months.

Richard Tse

Okay. And just one last one. In terms of the scale of revenue, you're obviously making some investments to support that growth. So what kind of scale of revenue will these investments be able to support?

And then, I guess related, as these volumes continue to pick up, what's sort of like a normalized margin would you expect in Title post investments here?

Brian Lang

Yes. So I think I'd start, Richard, with our target operating model.

As you know we've set that out very clearly for the market on what we are tracking towards. And so what drives that model, of course, is volume. And so what we -- hopefully, we are displaying this quarter and we'll continue to display that whatever the market does, the market will do, what we can control is bringing on new customers and continuing to expand market share with those customers.

As we look at both the -- especially on our title business right now if we take a look at the players that we've brought on, we brought on a Tier two at the end of last year. We are only halfway through this year getting -- ramping up the volume with that customer. So we already have built in a decent amount of ramp coming from that customer. And then you just sort of multiply the opportunity with all the new ones that we've just brought on to ramp the volume up.

So in short, the question around investing and then revenue coming in, a lot of it will be driven by volume. We are going to focus on the things we can control. So I think you will continue to see our title volume continue to grow even as we may or may not face some headwinds in the market. And that's really the focus for us.

And I think you can see that even in our margins this quarter, Richard, you can see very healthy net revenue margin on that business. We're in the mid-60s. Again, our goal is to be between 60% and 65%, but you're already seeing some of that there. It's where we get to the adjusted EBITDA line where there's opportunity, but you've seen a significant amount of progress.

Operator

Our next question comes from Rob Young with Canaccord Genuity.

Rob Young

Maybe I'll just ask the first question on one of your comments you just made, Brian. You said you're only halfway through the planned first year ramp with the second Tier one in Title. Hopefully, I've captured that right.

But my understanding is that the ramp -- the volumes from that second Tier one were above where you had expected them. And so is that the original expectations or have you adjusted your expectations for where you can take that second Tier one in the first year?

Brian Lang

Good question, Rob. So you were right in your interpretation. So the interpretation was that we would build that Tier -- the second Tier one, we would build them up from a starting position at the start of the year to a market share target that they had given us.

We're halfway there. And so it's performing very well Rob, i.e., it's performing as well right now as our first Tier one. And my point is we still have work to go to get to sort of our baseline market share target that they've set for us.

So for us, anyways, positive upward signs there, again sort of depending on the volume in the market, but the growth opportunity -- the market share growth opportunity is still strong with this second Tier one.

Rob Young

Okay. And then Rodrigo noted the narrower spreads. And so I was hoping you could give a little bit of context around what you see your largest Tier one lenders doing, given all of the uncertainty in the market that we're seeing currently. Are they backing away given some of the uncertainty or has their level of engagement continued to improve?

Brian Lang

Yes. So I think probably the best way is really just to look at the data around that, Rob. And as Rodrigo pointed out in our speaking points that the spread has been under 200 bps for a good chunk of the quarter. And even right now it's pretty close to that.

So it continues to be pretty healthy. I think the last few weeks, we'd say the rate was somewhere around 6.3%, and the 10-year was around 4.4%, 4.3%. So we're seeing, I think, that continual healthy dynamic on them leaning in still on mortgages. Again, if we look at individual players, we can see they're still being reasonably aggressive.

Some are definitely being more competitive. And as you know we're very fortunate. A couple of our key customers would be in that sort of realm of folks that are staying very competitive.

Rob Young

Okay. And then maybe just expanding that just generally into the pipeline. I think you said that there is a very healthy pipeline. Maybe you just touch on the Title and Appraisal pipeline, like how are the prospects reacting to this environment?

And I think you said the pipeline has grown which I think a little bit surprising to me considering all the geopolitical and the complexity in the macro. So give us a sense of the pipeline in both businesses.

Brian Lang

Sure. Sure. So in Title, I'll start there, Rob, only, because that is -- it's been quite busy and will remain quite busy over the next couple of quarters.

I think the biggest challenge in the business is, frankly, getting RFPs started. The good news is once they are moving, Rob, it's very rare that they will come off them.

So again, we'll have to see over the next couple of quarters. But because we were able to get so many of them up -- the RFPs up running and in market, I continue to feel that our second half of the year, we should continue to see some very good strength in closing out more opportunities on the title side.

So the first half of the year, we've closed eight. We've got a Tier, another Tier one. We've got one of the largest non-bank servicers. We've got some other Tier one top 100s.

So feeling good about what we've got now and I think you can see something somewhat similar to that, especially with the top 100s that you'll see launching in the next couple of quarters. So that's where I would say things are at on Title.

On Appraisal, as you know the focus remains on Appraisal market share gaining, performance continuing to drive our market share up. And again, we feel confident that we should continue to top scorecards, all the good stuff that we talked to you about on performance.

As far as the pipeline goes, the team continues to work the pipeline. As you know we've got a very significant number of top 100s already in the pipeline, but the team continues to work it. And so you should see a few more launches on the Appraisal side of the business in the next couple of quarters.

Rob Young

That's very helpful. Last little quick one would be just the non-bank servicers' win.

Is that Mr. Cooper? Or is Mr. Cooper an additional opportunity? And has that started to ramp?

And then I'll pass the line.

Brian Lang

Rob, you're asking me for specific launches. You know we don't talk about that.

So to answer your question, Rob, it is -- I won't say whether it is or isn't, but let's say that probability is higher than it's not.

It's a -- because I said it's a non-bank servicer that we have not done business with in the past. So this is a brand-new customer of ours.

So we'll continue to plug away at the other Tier 1s. We'll continue to stay focused on that. But right now we're very happy with the size and the bulk of the non-bank servicer that we've launched.

Operator

(Operator Instructions) Our next question comes from John Shao with TD Cowen.

John Shao

I have a capacity question to start with. Brian, I remember last quarter, you mentioned you still have the capacity to double your title volumes. I think just now you said you were getting close to increasing that capacity.

So in order to bridge that gap, does that mean those new clients you onboarded this quarter and maybe after the quarter almost doubled your volume?

Rodrigo Pinto

John, thanks for the question. Yes.

So let me go a step back here. So we used to say that we had 30% capacity in Appraisal or 2x capacity in Title. Good news, we used that idle capacity that we had in the system. So now we are at capacity, I would say. Of course, the decision to increase capacity is dependent on volumes.

So as we are onboarding those clients, and we are ramping up the volumes, yes, we'll definitely have to make some investment in capacity.

But the way to look at this is, we also are increasing revenues, right? So what will happen, adjusted EBITDA margins will continue to improve, but the conversion that we are seeing of 85% from net revenue to the bottom line may be slightly less when we make those investments, but you could continue to see improvements in the adjusted EBITDA margins as we do those increasing capacities.

John Shao

Got it. In terms of the competitive landscape, how does that look today versus in the past?

And we also heard some renewed discussions regarding automated valuation models or AVMs. I know that's been around for some time but any color on whether that could be accelerated by some of the competitors using AI?

Brian Lang

Thanks for the question, John. I'll take that one.

So we've talked about AVMs. I feel that since I got here, so for seven years, we've been talking about AVMs. I think you may know that our founder actually launched one of the first AVMs.

So we've kept our eye on AVMs. And I think our view is, John, there's -- the difference that we bring is real-time data, right? It's significantly different than AVM data.

So AVMs have been used. They're very good looking backwards. They're good as a historical indicator. But when a lender and the GSEs, when they are taking on a new mortgage, they want the most up-to-date information on that property.

So our view is we've seen no different movement in AVMs over the last few quarters. Our view is they'll continue to do what they do which is often portfolio maintenance work and that lenders will continue to be looking for real-time data on the valuation of properties. So I think that hopefully gets into the AVM question.

I apologize, what was the second part of it? Was there a second part of the question? I'm sorry.

John Shao

I was just asking about the general competitive landscape today versus maybe in the past?

Brian Lang

Thank you. Thanks, John. Yes. So I mean the landscape -- competitive landscape has not changed.

I've talked in the past around some competitors that were a pretty good competitors, especially in the title space. We had a decent competitor that was a tech competitor that had lots of data scientists. They're no longer in business.

I think, John, the big difference that we have is you've got to build out a network, and a network takes a significant amount of time to get into 50 states and be able to provide service in the smallest counties. So that's what we've spent our time doing.

The technology, there will always be opportunities. We've been working on ours for 20 years, and we think it's a very significant part of who we are. But the reality is network management is a core part of our business.

And so that's -- a good chunk of our moat is really built around network management, compliance with big Tier one players, making sure that we've got all the security requirements, both regulatory-wise and with individual customers.

So that's really, I think where we've been focused. And right now, John, we see nothing interesting or new right now in the competitive landscape.

Operator

(Operator Instructions) Our next question comes from Thanos Moschopoulos with BMO Capital Markets.

Thanos Moschopoulos

Just to clarify your comments regarding building capacity, where do you think you stand with your Appraisal capacity? Is there some hiring needed there? Or do you still have a lot of capacity on that front?

Rodrigo Pinto

I would say to a lesser extent, Thanos, when you compare to Title.

We are near capacity as well in Appraisal. We had 30%. We used that which is super positive. But yes, as volumes increase, we bring new clients or market shows signs of recovery, we'll have to make some small investments as well to expand the capacity in Appraisal.

Thanos Moschopoulos

And in the near term, as you bring on the capacity, should we see a little bit of impact on the net revenue margin? Or should the net revenue margin remain consistent on the EBITDA side?

Rodrigo Pinto

No impact on net revenue margin. That would all be related to adjusted EBITDA margin, right? So we're talking about the OpEx.

What is important here, Thanos, is timing, right? So you have the short-term impact because you need to bring the capacity before you have the revenue, but it gets absorbed by the operations over time.

So then over time you see, as I said earlier, adjusted EBITDA margins will continue to improve because revenue -- the increase in revenue is larger than the increase in OpEx.

Thanos Moschopoulos

Great. Brian, on the regulatory front, have there been any changes or anything you're hearing that are worth calling out just as the administration is looking to improve affordability. There's recent news

about the FHFA tweaking the credit standards, how they approach credit. But just in general, though, are there any other regulatory things worth calling out?

Brian Lang

Well it's interesting, Thanos. There is a lot that's being trumpeted definitely down there, so to speak, I guess that was a bit of a pun. There's a lot that's on the table down there, both at the Senate and Congress level.

And generally, all of this is positive, as you can imagine, Thanos, because it's all about affordability. And really for us, making it available for Americans to be able to participate more in the space.

So whether it's buying new homes or getting their mortgages, getting affordability around the mortgages down. That's -- there's definitely a lot on the table.

We don't want to over-rotate on what's going to happen around that. But generally, it's all -- for us, anyway it's all tailwinds to affordability, trying to get more homes built, trying to get more homes moved, trying to get younger folks in the homes. That's generally what most of the legislation is that's moving at different levels across the administration right now.

Thanos Moschopoulos

But nothing that's been tangibly enacted or permanent yet?

Brian Lang

No.

Operator

Ladies and gentlemen, this will conclude today's conference call. Thank you for participating. You may now disconnect.