



Real Matters Q4 2023 Conference Call - Transcript

November 17, 2023

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

Daniel Chan, *TD Cowen*

Gavin Fairweather, *Cormark 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 Q4 Fiscal 2023 Conference Call. [Operator Instructions] Also note that this call is being recorded on Friday, November 17, 2023. And I would like to turn the conference over to Lyne Beauregard. Please go ahead.

Lyne Beauregard

Thank you, operator, and good morning, everyone. Welcome to Real Matters' Financial Results Conference Call for the fourth quarter and fiscal year ended September 30, 2023.

With me today are Real Matters' Chief Executive Officer, Brian Lang; and Chief Financial Officer, Rodrigo Pinto. This morning, before market opened, we issued a news release announcing our results for the 3 months and fiscal year ended September 30, 2023. The release, accompanying slide presentation as well as 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 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 company's 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 plus and in the Investors 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 margin. Non-GAAP measures are described in our MD&A for the 3 months and fiscal year ended September 30, 2023, where you will also find reconciliations to the nearest IFRS measures.

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

Brian Lang

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

In fiscal 2023, the Real Matters focused on preparing for scale by optimizing our network platform and our team, permanently transforming our cost base and making the business more efficient at scale. We have been focused on doubling down on our competitive advantage to build franchise value with key clients for the long term. We have expanded our channel penetration across all segments, deepening our relationships with customers, which should provide added leverage as the market scales. We have kept our commitment to shareholders by focusing on what we can control and running our business with a long-term view.

By historical standards, 2023 was one of the most challenging markets we faced as a company and as an industry. Inflation, rapidly rising interest rates, a sustained increase in home price appreciation, low housing inventory and continuing economic uncertainty have driven mortgage market volumes down to levels we haven't experienced in this industry in almost 3 decades and certainly in our time as a public company. We estimate there were 2.7 million purchase transactions and 600,000 refinanced transactions in fiscal 2023, which is almost half the volume of the worst year in the last 28 years.

We said this before, but it bears repeating, especially in today's environment. The cyclical nature of the mortgage market is nothing new to us. It's the very reason we built a business that could weather the peaks and valleys and why we prioritize long-term objectives and profitability. It's why we focus on building market share with large blue-chip clients that are driven by performance metrics and why we created a platform that would allow us to scale up and down with a lower cost to serve than our competitors.

We delivered solid performance in the fourth quarter, generating positive consolidated adjusted EBITDA of \$600,000. We launched 6 new clients, and we added a new channel with a Tier 1 lender in both U.S. Appraisal and U.S. Title during the quarter. We reported consolidated revenues of \$163.9 million in fiscal 2023, down 52% year-over-year as new client launches and the increase in our market share with our clients was offset by lower market volumes. We estimate that U.S. mortgage origination market volumes declined 53% year-over-year in fiscal 2023.

Consolidated net revenue for the year was \$43 million compared with \$85.4 million in fiscal 2022. However, we increased consolidated net revenue margins by 100 basis points year-over-year. We posted a consolidated adjusted EBITDA loss of \$2.4 million in fiscal 2023, with positive adjusted EBITDA in the last 2 quarters, in line with our focus on keeping the business EBITDA neutral, in a market environment that has proven to be the most challenging in more than 28 years.

We managed our cost base and improved our operational efficiency to better align with that lower market environment, reducing our consolidated operating expenses by more than 41% year-over-year. We have permanently transformed our cost base and are now operating with the lowest cost structure we've had since going public. A prime example of what our platform is capable of delivering.

In U.S. Appraisal, fiscal 2023 purchase origination revenues were down 41% year-over-year and refinance origination revenues were down 73% year-over-year. Home equity revenues were up 2% year-over-year as we launched in this channel with several lenders and had strong market share gains in fiscal 2023, which was offset by lower market volumes. Home equity represented almost 1/4 of our U.S. Appraisal revenues in fiscal 2023, and this volume is not captured in our market share calculations.

We increased U.S. Appraisal net revenue margins by 530 basis points to 27.4% in fiscal 2023 as a result of our operating model posting our highest annual net revenue margin since going public, landing squarely in the range of our fiscal 2025 target of 26% to 28%. U.S. Appraisal adjusted EBITDA was \$14.2 million in fiscal 2023, down from \$27 million in fiscal 2022. We ended the year with 4.1% U.S. Appraisal purchase market share flat from fiscal 2022, and U.S. Appraisal refinance market share of 10.4%, down from 12.1% in fiscal 2022. Purchase transactions continue to make up close to 80% of the volume on a market size that is extremely low by historical standards, which we believe distorts market share among lenders given the scarcity of transaction volumes.

As we've discussed on previous earnings calls, our respective market shares will shift in line with the mix of business of our client base, some of whom have historically been more weighted toward refinance. We believe that our Tier 1 lenders who account for the majority of our revenues were disproportionately impacted by the decline in the U.S. mortgage origination market in fiscal 2023. We increased our market share with our Tier 1 clients, on an average, by 10% in fiscal 2023. The Tier

lenders are large lenders, both bank and nonbank, who value performance, and they continue to represent a significant opportunity for market share growth for Real Matters.

We posted U.S. Title segment revenues of \$9.5 million, down from \$36.5 million in fiscal 2022 and home equity revenues accounted for more than 1/3 of U.S. Title revenues in fiscal 2023, up from 14% in fiscal 2022. Despite the 74% decline in top line revenues, we reported an adjusted EBITDA loss of \$8.3 million, compared with a loss of \$8.1 million in the prior year, principally because we reduced our operating expenses by 61% year-over-year to \$12.2 million. Our title business today is more efficient than ever, and we can now scale the business at a lower cost.

We went live in a second channel with our Tier 1 lender in U.S. Title at the end of the fourth quarter and ended the year with overall market share of 0.5% in U.S. Title. Our team continues to advance the pipeline with an optimistic view of adding new lenders and increasing our market share. Given the efficiency of operations, we remain well positioned for a variety of volume scenarios over the medium and long term.

Canadian segment revenues were \$33.5 million, down from \$52.2 million in fiscal 2022. We increased net revenue margins in this segment by 480 basis points as we leveraged our field professional network in a lower market environment and at a higher mix of insurance inspection revenues. We reduced Canadian segment operating expenses by 26% year-over-year, and we recorded a 530 basis point increase in adjusted EBITDA margins year-over-year.

In fiscal 2023, we launched 5 new lenders and 4 new channels in U.S. Appraisal, 5 new lenders and 3 new channels in U.S. Title, and 10 new clients and 6 new channels in Canada. We continue to perform at the top of lender scorecards and advance the RFP pipeline, particularly in U.S. Title.

Our performance continues to reinforce our relationship with lenders. We recently met with our largest clients at the MBA Convention in Philadelphia, where we received high praise for our people, our network, our capabilities and our ability to go above and beyond for lenders, in some cases, getting the job done when our competitors failed. While the economic forecast did garner a lot of attention at the convention, our client conversations were mostly centered around capacity and ensuring that lenders have the right vendors in place for when the market recovers. Lenders continue to see us as a trusted partner, and we are leveraging our performance to ask for more of their business.

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

Rodrigo Pinto

Thank you, Brian, and good morning, everyone. As Brian said earlier, the U.S. mortgage market seems to be troughing with mortgage rates hovering at 23-year highs and transaction volumes at 28-year lows. 10-year treasury yields rose 75 basis points during the fourth quarter and inched higher

since then, with spreads at far beyond historical averages. There is no precedent on record for the economic conditions we are seeing today, and we have no way to predict what will happen in the short term.

Even if you look at the MBA's latest outlook for 2024, they are saying that a 100 basis point decrease in interest rates could double their origination forecast. That is an incredibly high level of elasticity demand and a very wide range of outcomes, but it's also the result of a market that has troughed at such low level. We firmly believe that the market will recover over the mid- to long term, and so we remain focused on the things we can control, ensuring that we do what is necessary to grow our clients base and our market share, managing our operating efficiency and driving towards our fiscal '25 targets while maintaining a strong balance sheet.

Turning to our fourth quarter results. I'll start with our U.S. Appraisal segment where we recorded revenues of \$31.2 million, down 29% from the same period last year as new client launches and the increase in our market share with our clients was more than offset by lower market volumes. Home equity revenues were up 16% year-over-year as we launch in the home equity channel with some of our existing lenders in fiscal '23 and had market share growth further entrenching those client relationships.

U.S. Appraisal net revenue was \$8.6 million for the quarter, down 23% year-over-year. We continue to see strong net revenue margins with an increase of 210 basis points year-over-year. Our ability to leverage our platform resulted in a significant year-over-year margin increase. U.S. Appraisal operating expenses declined 30% year-over-year to \$4.6 million in the fourth quarter.

U.S. Appraisal adjusted EBITDA was \$3.9 million, a decrease of 14% from the fourth quarter of fiscal '22. Adjusted EBITDA margins increased to 46% from the 41% we had in the fourth quarter last year as a result of an improved net revenue margin profile and the reduction of operating expenses.

Turning to our U.S. Title segment. Fourth quarter revenues declined 41% year-over-year to \$2.3 million due to lower refinance origination volumes. U.S. Title net revenue was \$1.1 million, down \$0.7 million from the fourth quarter last year. However, net revenue margins increased by 90 basis points, mostly due to a change in product mix.

We reduced U.S. Title operating expenses by 44% year-over-year to \$2.6 million as we focus on operational efficiencies in this low refinance mortgage origination market. We recorded an adjusted EBITDA loss of \$1.6 million, compared with a loss of \$2.9 million in the fourth quarter of fiscal '22, an improvement of 46%, mainly due to reduction in operating expenses I just mentioned.

In Canada, we posted fourth quarter revenues of \$8.7 million, a decrease of 16% on a year-over-year basis. Net revenue margins expanded by 360 basis points year-over-year as we continue to leverage our appraiser network in a lower market environment. Canadian segment operating

expenses declined 18% year-over-year. This reduction of expenses, combined with the increase in net revenue margins helped increase Canadian adjusted EBITDA margins to 72.9% from 65% in the fourth quarter of 2022.

In total, fourth quarter consolidated net revenue declined 22% to \$11.2 million, compared to the \$14.4 million we reported in the fourth quarter of fiscal 2022, as we experienced lower market volumes across all 3 segments. Consolidated net revenue margins increased to 26.5% from the 24.7% we posted in the fourth quarter of fiscal '22, reflecting higher net revenue margins across all 3 segments. Consolidated operating expenses were down 31% year-over-year to \$10.9 million in the fourth quarter.

As Brian mentioned earlier, we posted positive consolidated adjusted EBITDA of \$600,000 this quarter, up from a loss of \$1.1 million in the same period of fiscal '22. Finally, I'll briefly turn to our balance sheet, which remains strong with no debt and a cash position of \$42.3 million as of September 30, 2023.

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

Brian Lang

Thank you, Rodrigo. In response to a very challenging mortgage market in fiscal 2023, we focused on preparing for scale by optimizing our network platform and our team, permanently transforming our cost base and making the business more efficient. We continue to execute our strategy, adding clients, growing market share with our Tier 1 clients, improving our net revenue margins and reducing our operating expenses to navigate our business through this cyclical trough in the market.

We posted positive consolidated adjusted EBITDA in the second half of fiscal 2023, finishing the year in a strong financial position with more than \$42 million in cash and no debt. Our operations are optimized and we have the capacity to scale up with our existing cost base when market conditions improve.

Overall, I'm very confident about our competitive position. We have a greater share of our clients' business in more channels and across more products than ever. It's important to remember that the progress we've made will help turbocharge our results when the market turns. Our focus is on long-term growth as it's always been. We believe in the long-term earnings potential of our business, and we remain focused on our fiscal 2025 objectives.

With that, I'd like to take a moment to recognize our team for the incredible job they have done over the course of the year, growing our margins, delivering performance. It's kept us at the top of lender scorecards, deploying new technology and innovating in a way that reinforces our competitive advantage and also for being relentless in our pursuit of new business. We have excellent leaders and a talented team that is committed to our success. We're also grateful for the

extraordinary contribution of the field professionals on our network who continue to go above and beyond for our clients.

Finally, I'd like to thank our Board and shareholders for their ongoing support and confidence in our business. In particular, I'd like to thank Jason Smith for his contribution as our Executive Chairman. His experience and guidance has been invaluable as we've navigated the business through booming and challenging market conditions over the years. Starting today, Jason will become Chairman of the Board, and we look forward to his ongoing support.

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

Question and Answer

Operator

[Operator Instructions] And your first question will be from Richard Tse at National Bank Financial.

Richard Tse

Yes. You've obviously done a really good job at sort of controlling those controllables, especially on the cost side. So how should we think about what you're doing now? Like, are you kind of through all that work and what is the executive team sort of doing in the face of still some challenging times? Is there more to do there to get better? Or maybe give us some color on that, please?

Brian Lang

Sure. Thanks, Richard. Yes, we -- I mean, we've got a fairly significant project that we've been running and will continue to run for the upcoming quarters. We've got a great branded name for it. And the real focus of it is scaling for the future.

So Richard, we're focused on different areas of the business. But looking at the workflow within those areas, our senior management team has been tasked with sort of taking those apart and figuring out which of those areas can we automate, which ones can we eliminate? And which ones can we make more efficient? So that's really the focus. The focus is, in a market like this, with some incremental capacity currently, how do we take those resources? And just continue to make sure that when we see the volumes start coming back, we can really get even an incremental torque on the OpEx in the business so that we have a higher percentage of margin profile once we see that new volume come on board.

Richard Tse

Okay. That's fair. And if I sort of step back even further, and I don't know this is sort of a Board discussion, but if you look at, let's say, 2, 3, 4 years from now, is there kind of a some sort of strategy to sort of take out the cyclical in terms of the business overall? Like, I think you talked about data in the past, but are there service lines that you could add to sort of kind of reduce the cyclical that we see in sort of times like we're in chart today?

Brian Lang

Yes. So I think the big piece for us right now, Richard, is, number one, to make sure that we are focused on the core business, which we have been. You've heard us talk about getting into other channels with our current customers. So making sure that we continue to maximize that. You will have seen on home equity, we've taken on some more home equity business in a market like this. So within the current base, make sure that we've got as broad a penetration across the current customers that we have, again, so that when we have that cyclical, at least there's some different products that we can pivot to.

When we take a longer view, it's very similar to what we've laid out at Investor Day, where we are focused on continuing to grow the core Appraisal business. We have a tremendous amount of upside on the Title business, as you know, cross-selling our Tier 1s into that business. And then the third leg remains the data business, which we continue to take a good look at on the back end of the business. And frankly, that portion of our business, where we are getting some good enhancement as we look at that as a future pillar of our strategy is, as we moved into the cloud, the capabilities to access the data and work with the data have only become that much stronger and better.

So I think that will continue right now, Richard, to be the leg of the stool that we see as a real opportunity when we look out 3, 4 years from now.

Operator

Next question will be from Daniel Chan at TD Cowen.

Daniel Chan

Good to see you launch that second channel with the Tier 1 title and closing customer. Can you just remind us how much more that second channel brings in terms of wallet share? And then what are your discussions with that customer, say in terms of the speed of ramp into the coming quarters?

Brian Lang

Got it. Thanks, Dan. I appreciate that. So second channel did launch finally at the end of Q4. We have now seen orders coming through. So good news. It's up and live. That will ramp up over the next few quarters. There's still some lessons learned as we bring that channel on board, at least at the lender level, because this is a new process for them. But the long-term plan is that should be the same order volume as we've got in the existing channel. So think 50-50 between the 2 channels. And so we should see that come on sort of midway through the year next year, Dan.

Daniel Chan

That's great to hear. We've seen some reports that like from the MBA, is saying that they're expecting the market to essentially recover early next calendar year. Just based on what you're seeing on the volume passing through your platform, do you agree with some of these forecasts? What are you guys kind of expecting for the next year?

Brian Lang

Why don't I get Rodrigo to lean in on that?

Rodrigo Pinto

Dan, again, very hard to predict the market at this point, especially in the short term. Again, historically, MBA has been very optimistic. And as early as the beginning of the calendar year, which is our fiscal Q2, it's very hard to say like we'll see a very strong recovery. We do, I guess, as the whole industry does, like we do see some recovery coming in the second half of the fiscal year but it feels like our fiscal Q2 is a bit too early in our view.

Operator

Next question will be from Thanos Moschopoulos at BMO.

Thanos Moschopoulos

Could you remind us what dynamic we should see with respect to net revenue margins. If we have a situation where just all of a sudden volume spike? I mean, clearly, you've indicated that your current OpEx base can support a much higher revenue base. But just net revenue margins in particular, you have to kind of manage some of the variable elements with the regional managers and so forth. So if volumes were to spike, would that have any near-term impact on the net revenue margin or not necessarily?

Brian Lang

Yes. So I think that the impact, Thanos, thanks for the question. I think the impact would be very limited if there was a spike in volume. What the team has been working on with the network is that continual focus on driving orders to the top quartile of our appraisers in the case of the Appraisal business. So I think you're going to see very limited movement there.

I mean, as we've looked at the market for next year with -- as Rodrigo said, a somewhat flat, slightly down Q1, Q2 to an increase in Q3 and Q4. Our view is that you're going to see that same net revenue performance you saw in Q4, generally throughout the year. So even with that increase in volume, our view is that you're going to see those strengthened net revenue margins.

And so I don't think you'll see much different. If there is a spike, I think it would be very limited if there was any difference. We are very focused on the leverage with that top quartile of appraisers.

Thanos Moschopoulos

Great. And then with respect to home equity and the market share you've been gaining there. Just to clarify, have your share gains in home equity has been primarily with the Tier 1s? Or some of the Tier 2s 3s, 4s is kind of also very active in that space?

Brian Lang

Yes. So another good question. Thanks, Thanos. I just want to go back and remind where we started that home equity conversation because you remember, it was a while back, where we said we were actually going to spend some time focusing on home equity. And the rationale was very clear that this was a way for us to try and get into title, right? So that core title origination channel is what we are completely focused on we did use home equity as a point of leverage to try and find our way into that.

So we have moved the business from a home equity standpoint. It has mostly been with Tier 1s. A significant proportion of it, Thanos, is with Tier 1s. We're now dealing with the top 5 home equity lenders in the U.S. But again, I mean, the resolve is not to focus completely on home equity. It was to try and get ourselves into the title channel. The side benefit in a market like this is that it has been able to help on the revenue side. And as Rodrigo said, the market share gains we have in home equity, of course, those do not impact our origination market shares, which is what we've put out for 2025.

Operator

Next question will be from Robert Young at Canaccord Genuity.

Robert Young

Maybe a little more on Dan's line of question on the second channel launch. I'm curious, if you could just in layman's terms, just describe exactly what that second channel is? I mean, the first thing.

Second thing, as you look at the pipe for other Tier 1s, it strikes me as interesting that your first Tier 1 customer in Title has been giving you wallet share gains and now is expanding into a new channel. And so I'm curious what the other Tier 1s are doing, if they're looking at this, if this is something that would be a signal to them that would be positive? Or this -- like what is it, how would they take this expansion into a second channel?

Brian Lang

Good. It sounds like a two-parter, Rob. So the first part is clarifying the 2 channels. So the first channel we had with the Tier 1 is what we would call a direct channel. So think call center type stuff, right? So it's direct to consumer, whereas the second channel we launched is the retail channel, so going through the branches. And so that's why that is a new sort of process for that Tier 1. As I say, good news, orders are flowing. And I think over the next couple of quarters, we should start seeing that to ramp up so that we are getting equal orders from both channels. So that's question number one. Question number 2 is?

Robert Young

The other Tier 1s, how do they look at this expansion?

Brian Lang

Other Tier 1s. Thank you. So yes, so that's a twofold answer, I think, Rob. The first answer, and as I mentioned in my speaking notes, we were down at the MBA. So the good news is I get some pretty good flavor on exactly where we're at with our biggest Tier 1s. And so it's -- there's really, I think, 2 angles to that one.

The first one is, because of the strong delivery on our appraisal business, and I would even say some unique thinking about the future and the scale of the Appraisal business, which we spent quite a bit of time on I think that is only a benefit and sort of a turbocharger when we get on the title side of the business. As you can imagine, we've made sure that it's very clear to those other Tier 1s, how strong our performance is. We had another quarter, this past quarter of #1 performance on the title side. So believe me, we do a reasonable job of letting the others know that.

And what's been made clear to us, again, we'll have to see with time, is that there should be a couple of RFPs coming out on the street in calendar 2024. We're hoping earlier than later in the year. But again, we'll have to see those coming out. So I think there's -- my view is I'm quite bullish that there is an upside coming down the sales pipeline for next year on Tier 1 title.

Robert Young

Okay. And then on your -- you just said that you expect the fiscal Q1, Q2 to be a little bit slower and then maybe the second half a little better. I was curious if you could just parse that out a little bit. Is that mostly seasonality? Is that the typical seasonality we normally see? Or are there other factors that would let inform your view that Q1, Q2 be a little slower?

Brian Lang

Rodrigo?

Rodrigo Pinto

Yes. So Rob, it's a combination, right? Of course, seasonality impact us as it has in the past years. And the second point here, it is the market itself, right? Macroeconomic factors, where based -- based on what we see today and market experts are telling us, like it's -- the first half of the year, we should see similar conditions that we are seeing today, where the second half of our fiscal year, we should see some recovery with rates perhaps going down, with spreads tightening and which should benefit ourselves from a mortgage origination volumes, right? But it's a combination of both.

Robert Young

Great. And that spread is tightening. Is that dependent on the Tier 1s getting more competitive? In the space?

Rodrigo Pinto

Yes. Yes. For sure, it will help, right? So again, as Brian said, the market is so low right now that the large lenders, I don't think they're moving very hard to gain market share or markets to increase their volumes. But as soon as they start pricing things as they used in the past, we should see spreads getting tighter for sure.

Brian Lang

Yes. Rob, just one other item to add to that. At the conference in Philadelphia, the MBA put up what I thought was quite an interesting slide, which took a look at the rate as it stands today. And they did some sensitivity analysis off of that. So think of the rate 100 basis points higher or 100 basis points lower. And I thought quite interestingly, if it was -- if the rate went up 100 basis points, their view was the volume would be generally flat. So I think their view is we are definitely at the bottom.

And also interestingly, I think, if it went down 100 basis points, you actually saw a 40% increase in volume. Because you've got to remember where refinance volume is today at the 600,000 [transactions]. I mean, 2 years ago, we were at 8 million-plus, put it that way. So the idea that the refi volume could go up 50%, 60%, 70%. If it went up 100%, we'd be back to the last sort of normalized years of 1.2 million, 1.3 million. So there's -- I think anyways, there's plenty behind that. And I think the MBA was actually pretty sort of on. Not a lot of impact if the rate was to go up, but a pretty good impact if the rate does start to drop.

Robert Young

Okay. That's very good to hear. Last question. Just around your competitors. Are you seeing consolidation? It's going to be a rough market out there for people that don't have your scalability. And so I'm curious if you're seeing competitors drop out any consolidation, just maybe a lay of the land?

Brian Lang

Yes. So there has been quite a bit of movement this year. The first one is -- and really the big one was one of our big competitors, CoreLogic generally shut their doors, Rob. So somewhat surprisingly, frankly, that they weren't sold. We, of course, were part of conversations with them. But in the end, the decision was just to close the doors there. So good news for us. There was definitely a benefit, especially with a couple of the big Tier 1s, where we got some share from that. And I think there's going to be more consolidation. I mean there was an announcement fairly recently about some more consolidation.

And I think in a market like this, it is incredibly challenging to find a way to EBITDA neutrality. And I think, as you guys know, that's the benefit of building the network model that we've built, where we are able to flex up and flex down. And those with an awful lot of people doing a lot of the process and not necessarily the network type advantage we have, I think we're only going to see more of

that in the next couple of quarters, Rob, especially, we're starting to see some of that on the title side, too.

Operator

[Operator Instructions] And your next question will be from Martin Toner at ATB Capital Markets.

Martin Toner

Most of my questions have been answered, but I have a few left. Brian, can I kind of go back to what you said about Tier 1 RFPs? Do you think you could get volume from a Tier 1 that you win next year?

Brian Lang

Yes. So the short answer to that, Martin, is yes, we do. We've built in the back end of the year. We built in some volume, assuming that we have brought on and launched a Tier 1. So I'm letting you know that's why I'm a little bit bullish. We actually have built it in. It's going to be in the back end of the year, and you know there's a ramp that comes with that.

So the short answer is yes. I should just make sure though that we don't just -- along with the Tier 1s, we also are very focused on the sales team's, focused on making sure we're continuing to have very good conversations with the Tier 2s and Tier 3s. So Tier 1, of course, you guys know super focus for us. But we've actually invested and brought on some sales talent to make sure that we're looking across not just Tier 1s but also into the big Tier 2s and 3s.

Martin Toner

Great. So you've gained 10% share with your Tier 1 this year, roughly? Do you think you can duplicate that next year?

Brian Lang

Yes. We do think, that's part of the game plan, is definitely taking our market share with our customers up at least another 10% next year.

Operator

Next question will be from Gavin Fairweather of Cormark Securities.

Gavin Fairweather

Just a quick one for me. When you think about a recovery scenario, do you think that can be a catalyst for share gains for you? Just thinking about the scalability of the network versus your comps, which have to kind of hire people. And then also maybe you kind of mentioned it, potentially the Tier 1 is becoming more aggressive in terms of mortgage underwriting.

Brian Lang

I mean, as we look forward, Gavin, I think there are 3 tailwinds that I think are getting set up for us in -- hopefully in the not-too-distant future, right?

Tailwind #1 is the market. So we don't need to get too much into it. I think we've gone over how historically challenging the market is. We think there's a tailwind there. The second tailwind as we've gone over is our Tier 1s winning back market share versus the market, which, again, we see happening, let's call it, second half of this upcoming year, but that's definitely a tailwind, we think. And then you just take the tailwind of the changes that we've made this year, both in our net revenue margins and in our OpEx, and start rolling that forward as the volume comes on. And I think with the 3 of them together, our view is anyway, you get a bit of a turbocharge, you get an awful lot of leverage off of those 3 different dynamics.

Operator

Ladies and gentlemen, at this time, we have no further questions registered, which concludes your conference call for today. Thank you for attending and taking the time. Have yourselves a great day.