

Real Matters Inc. – MD&A for the three and six months ended March 31, 2021 and 2020

(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

The following Management Discussion and Analysis (“MD&A”) was prepared as of April 27, 2021 and should be read in conjunction with our unaudited condensed consolidated financial statements (“financial statements”), including notes thereto, for the three and six months ended March 31, 2021 and 2020 and our audited consolidated financial statements, including notes thereto, for the year ended September 30, 2020. All amounts included in this MD&A are reported in thousands of U.S. dollars, unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”). Throughout this MD&A, Real Matters Inc. and its subsidiaries are referred to as “Real Matters,” “the Company,” “we,” “our,” or “us”. Additional information about the Company, including the Company’s Annual Information Form for the year ended September 30, 2020, can be found on SEDAR under the Company’s profile at www.sedar.com.

Overview

Real Matters provides residential real estate appraisal and title and closing services to mortgage lenders in the United States of America (“U.S.”) and residential real estate appraisal and insurance inspection services in Canada. Our technology-based platform creates a competitive marketplace where independent field professionals, including appraisers, real estate agents, property inspectors, notaries, abstractors and other closing agents, compete for volumes provided by our clients based on their performance and professionalism (the “platform”). Our proprietary technology, which we believe is unique to our industry, combined with our network management capabilities, drives greater efficiencies by reducing manual processes through robust quality control mechanisms, logistics management capabilities, capacity planning tools and end-to-end transaction management for our clients. We leverage our technology and field professional partnerships to consistently deliver first-time quality, faster turnaround times and better performance than our competitors.

Appraisal services

We are one of North America’s largest independent providers of residential real estate appraisal services. A residential appraisal is a survey of a home by a qualified appraiser providing their expert opinion on the market value of a residential property. Pricing for residential appraisals varies by region, the type of residential mortgage appraisal conducted and property type. In most cases, our clients order residential appraisals for mortgage loan assessment purposes and to comply with Government Sponsored Entity (“GSE”) requirements, and the cost of a residential appraisal is passed on to the borrower.

We apply our network management capabilities to the residential mortgage industry, which is designed with a focus on quality at the front-end of the process. Our platform is an open network where field professional performance is tracked and managed in real time. We believe that our national and regionally managed network has the capacity to scale and deliver better performance than our competitors. We provide the breadth of expertise and local knowledge required to find the most qualified field professional for every mortgage transaction through robust credentials management and scorecarding of all of our field professionals.

Title and Closing (“Title”) services

We are an approved title agent with the industry’s largest title insurance underwriters. We offer and/or coordinate various title services for refinance, purchase, short sale and real estate owned (“REO”) transactions to financial institutions in all 50 states, and the District of Columbia, and each state has differing rules and regulations for title agents. As an independent title agent, we provide services required to close a mortgage transaction, including title search, closing and escrow services and title policy issuance. We act on behalf of the title insurance underwriters and retain the agent’s portion of the premium paid for the title policy, which is typically 70-90% of the title insurance premium. The remaining portion of the premium is remitted to the underwriter as compensation for bearing the risk of loss in the event a claim is made under the policy. Premium splits can vary by geographic region, and in some states, premiums are fixed by regulation.

The closing process in a mortgage transaction is critical to a consumer’s overall experience as it represents an important point of contact with the consumer. Our focus is to provide the best consumer experience by working with experienced field professionals. We operate a technology-based marketplace where independent field professionals compete for business based on their service level performance and quality of work. Our platform delivers a scalable solution that drives better performance for our clients and a superior consumer experience.

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Our clients and the market we service

Clients

We supply mortgage origination services to the largest lenders in the U.S., including appraisal services to all of the nation’s Tier 1 (as defined in the “Glossary” section of this MD&A) lenders and many of the nation’s largest regulated and non-bank lenders. Tier 1 lenders allocate their mortgage origination volumes to their service providers based on performance. Our performance often results in us obtaining an outsized allocation of transaction volumes from these lenders compared to our competitors. Tier 1 and other prominent lenders typically require their service providers to have a national footprint, be well capitalized, registered and licensed nationally, have a strong technology and information security infrastructure, and be in good standing with their regulatory authorities.

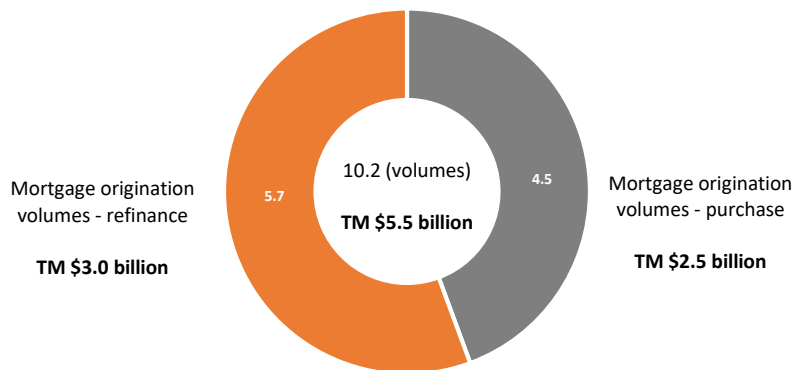
U.S. Appraisal

Our U.S. Appraisal segment (as hereinafter defined) provides services to the largest lenders in the U.S., including all six Tier 1 mortgage lenders. In fiscal 2020, we estimated that there were approximately 10.2 million mortgage originations for purchase and refinance transactions in the U.S., representing a total market (“TM”) spend of \$5.5 billion when applying our average revenue per transaction for purchase and refinance mortgage originations in fiscal 2020. The U.S. mortgage origination market is highly regulated and one of the largest asset classes in the world, and we provide appraisal services to mortgage lenders across the following channels: purchase origination, refinance origination, home equity, default and REO. The graphic below outlines the estimated size of the TM for purchase and refinance mortgage originations in the U.S. for fiscal 2020 and our estimate of the TM spend for these services. Purchase and refinance mortgage origination volumes serviced in fiscal 2020, represented 74% of the total volume we serviced and accounted for 90% of fiscal 2020 revenues in our U.S. Appraisal segment:

U.S. Market 2020 Total Mortgage Origination Volumes*

(expressed in millions)

*Management estimate at the end of fiscal 2020



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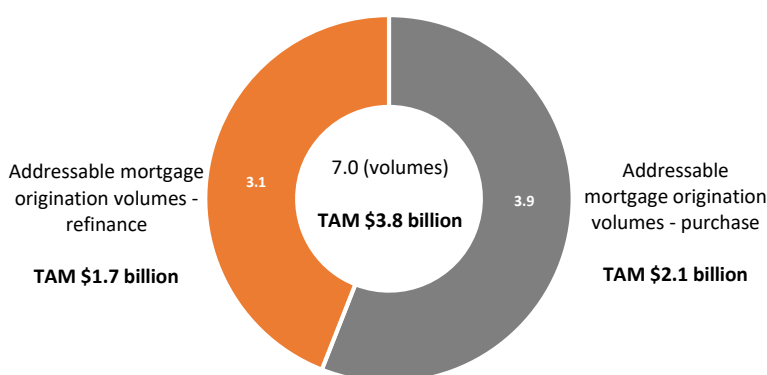
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The total addressable market (“TAM”) for our U.S. Appraisal segment excludes appraisal waivers provided by the GSEs and appraisals provided for Veterans Affairs. In fiscal 2020, we estimated that there were approximately 7.0 million appraisals provided for purchase and refinance mortgage originations in the U.S., representing a TAM spend of \$3.8 billion when applying our average revenue per transaction for purchase and refinance mortgage originations in fiscal 2020. We further believe that waivers were at elevated levels in fiscal 2020, and continue to be elevated in the first half of fiscal 2021, partly the result of COVID-19, and will moderate back to levels experienced in fiscal 2019 by the end of fiscal 2025. The graphic below outlines the estimated size of the TAM for purchase and refinance mortgage originations in the U.S. for fiscal 2020 and our estimate of the TAM spend for these services:

U.S. Market 2020 Addressable Mortgage Origination Volumes*

(expressed in millions)

* Management estimate at the end of fiscal 2020



U.S. Title

Our U.S. Title segment (as hereinafter defined) predominantly services Tier 3 and 4 mortgage lenders. In the second quarter of fiscal 2021, we launched our first Tier 1 client and over the past two years we have added several top 100 mortgage lender clients, including Tier 2 and Tier 3 clients. Adding clients is in line with our strategy to increase market share in this segment, with a specific focus on targeting additional Tier 1 and Tier 2 clients. Today, we predominantly supply title and closing services for refinance, home equity, default and REO transactions. For fiscal 2020, we estimated that there were 5.7 million refinance transactions serviced representing a total and addressable market spend of \$5.3 billion when applying our average revenue per transaction for refinance mortgage originations in fiscal 2020. The addressable market for our U.S. Title segment is not impacted by waivers or Veterans Affairs volumes.

Canada

In Canada, we provide residential mortgage appraisal services to the majority of the big five Canadian banks and provide residential and commercial property insurance inspection services to some of North America’s largest insurance carriers.

Our offices and brands

Headquartered in Markham, Ontario, Real Matters’ principal offices include Buffalo, New York, Middletown, Rhode Island and Denver, Colorado. We service the U.S. and Canadian residential mortgage industries through our Solidifi brand and the Canadian property and casualty insurance industry through our iv3 brand.

Seasonality and trends

Residential mortgage origination volumes in North America are a key driver of our financial performance and are influenced by cyclical trends and seasonality. Cyclical trends include changes in interest rates, refinancing rates, the capacity of lenders to underwrite mortgages, house prices, housing stock, demand for housing, the availability of funds for mortgage loans, credit requirements, regulatory changes, household indebtedness, employment levels and the general health of the North American economy. Transaction-based revenues in our U.S. Appraisal segment are also impacted by the seasonal nature of the residential

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mortgage industry, which typically see home buyers purchase more homes in our third and fourth fiscal quarters, representing the three months ending June 30 and September 30, respectively. Our market share is impacted by the size of the addressable residential mortgage origination market but also our clients' relative share of the addressable market. Gains or losses in our clients' share of the addressable market impacts our overall market share. Accordingly, we take a long-term view of our success, since we cannot control the addressable mortgage origination market or the factors that influence it.

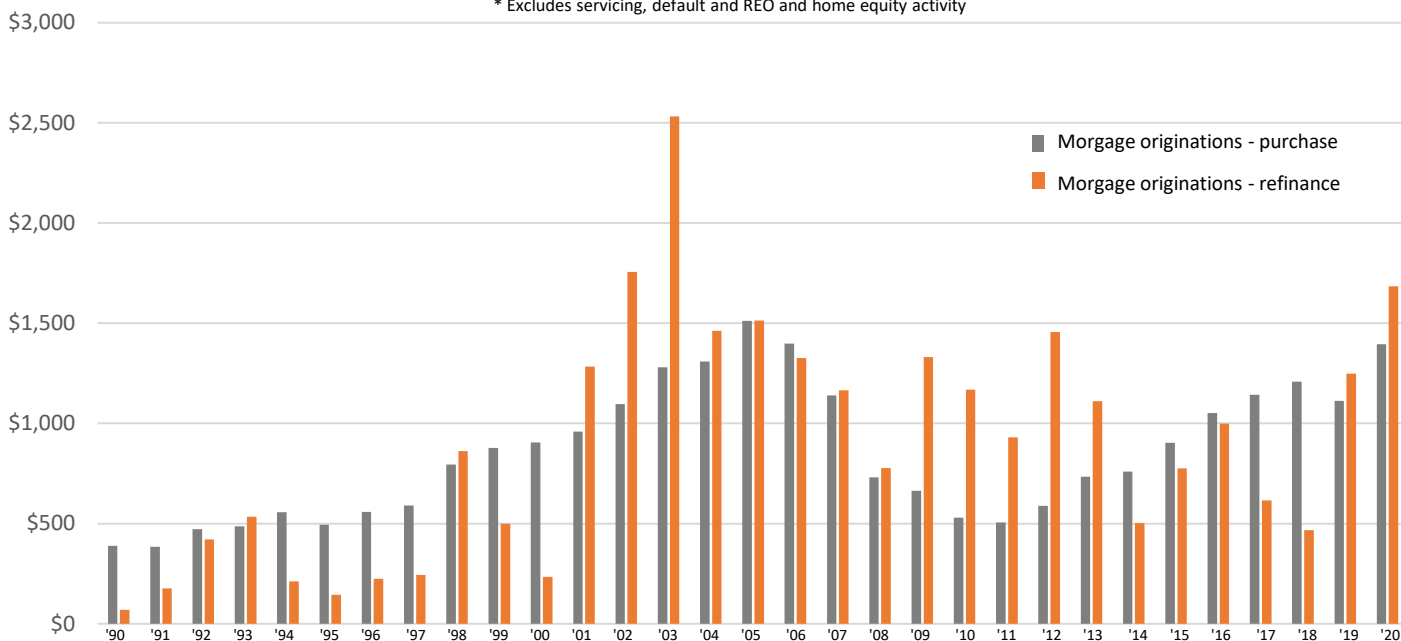
Annual mortgage origination estimates

The table below illustrates estimated U.S. mortgage origination spend for purchase and refinance transactions beginning in 1990, presented on a calendar year basis. Since 2011, the estimated purchase market has grown at a mid to high single digit growth rate, when expressed on a volume basis, which is highly correlated to the strength of the U.S. economy, among other factors. However, refinance activity is very sensitive to changes in interest rates which has resulted in significant changes in the volume of activity between years. Over the past year we experienced a significant increase in market volumes for refinance activity due to record low interest rates brought about by COVID-19 and other contributing factors. We believe this increase in activity will present a tougher market comparison year-over-year given the recent increase in interest rates.

Annual Mortgage Origination Estimates *

source Mortgage Bankers Association ("MBA")
(expressed in billions of dollars)

* Excludes servicing, default and REO and home equity activity



Scale from volume

Our objective is to leverage our technology, network and logistics management capabilities and field professional partnerships to deliver first time quality, faster turnaround times and better performance than our competitors. As volumes on our platform increase from market share growth, market volume (as hereinafter defined) expansion or some combination of the two, we partner with our field professionals to make them more efficient in their daily activities which leads to an expansion of our Net Revenue^(A) margins. In addition, we leverage our operations to expand our Adjusted EBITDA^(A) margins. Our objectives for each of these measures through fiscal 2025 are outlined in the "Our long-term plan – Fiscal 2025 targets" section of this MD&A.

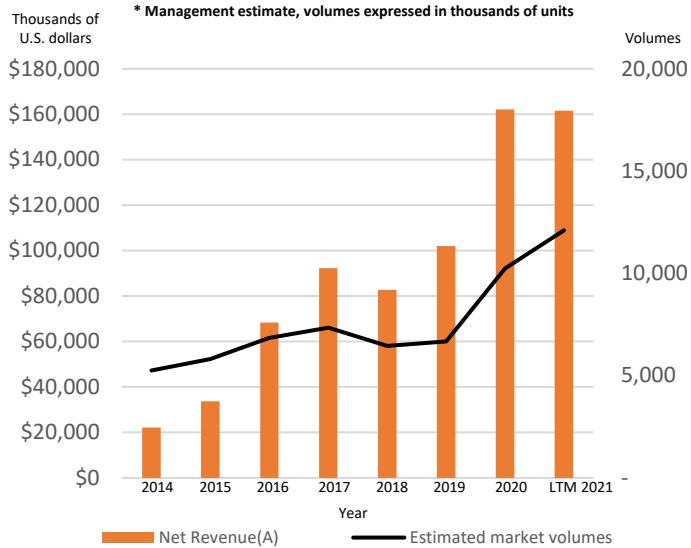
We prepare our financial statements in accordance with IFRS, however, we consider certain Non-GAAP financial measures (as hereinafter defined) as useful additional information to assess our financial performance. Please refer to the "Non-GAAP Measures" section of this MD&A for additional details regarding the use of Non-GAAP measures, including, but not limited to, the definitions of Net Revenue^(A) and Adjusted EBITDA^(A).

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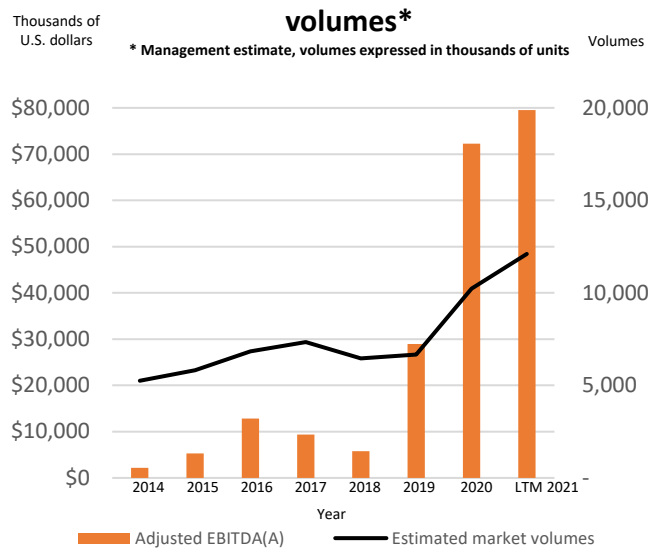
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The tables that follow compare our consolidated Net Revenue^(A) and Adjusted EBITDA^(A) to estimated market volumes and demonstrates that we are executing on our principal focus of market share growth.

Consolidated Net Revenue^(A) relative to mortgage market origination volumes*

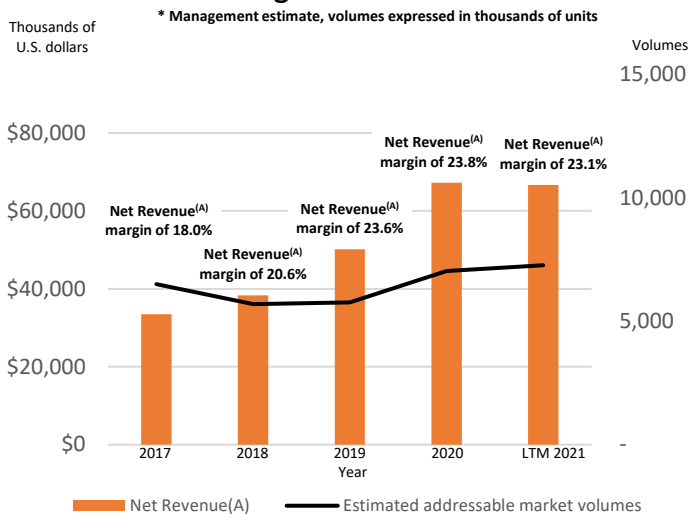


Consolidated Adjusted EBITDA^(A) relative to mortgage market origination volumes*

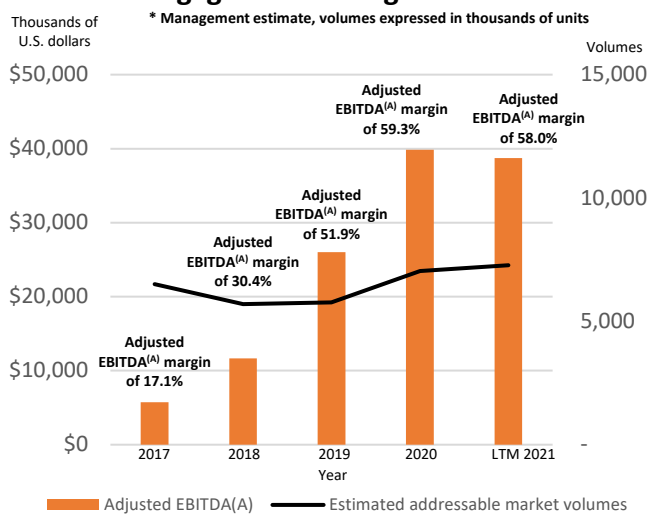


Our U.S. Appraisal segment is our more mature business in the U.S. Servicing higher volumes on our platform from market share gains and, most recently, higher market volumes, has resulted in Net Revenue^(A) and Adjusted EBITDA^(A) margin expansion on an annual basis since fiscal 2017.

U.S. Appraisal Segment Net Revenue^(A) relative to addressable mortgage market origination volumes*



U.S. Appraisal Segment Adjusted EBITDA^(A) relative to addressable mortgage market origination volumes*

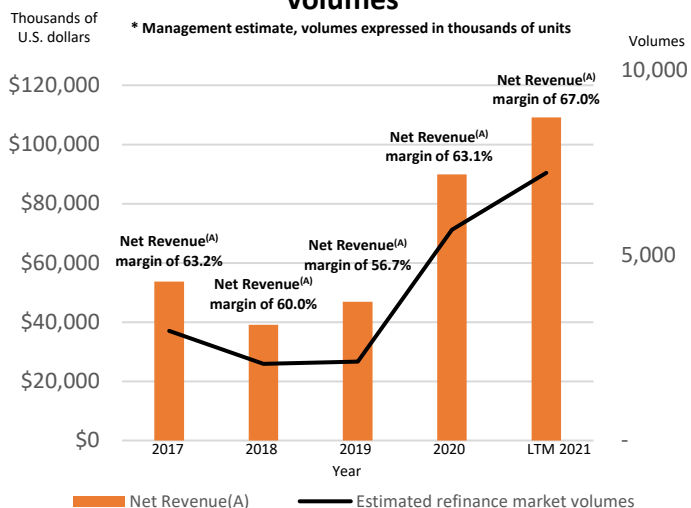


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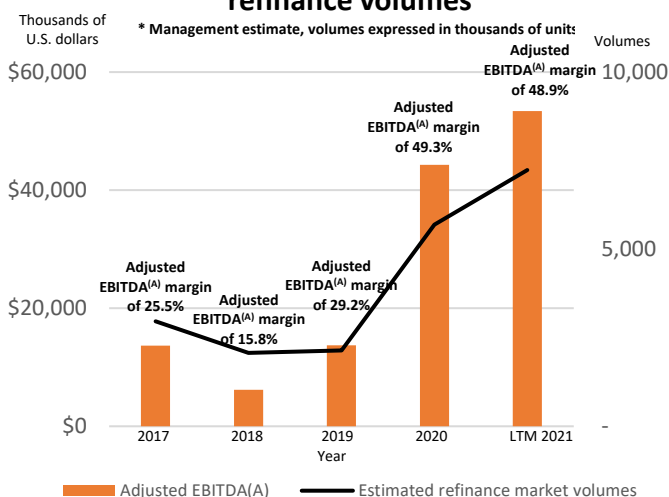
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In April 2016, we entered the U.S. Title business through the acquisition of Linear Title & Closing Ltd. (“Linear”). Since then, we have ported this business to our platform and have been investing in our field professional panels with the long-term view of leveraging our network to expand Net Revenue^(A) margins like we have done in our U.S. Appraisal segment. Today, our U.S. Title segment predominately services refinance mortgage origination activity.

U.S. Title Segment Net Revenue^(A) relative to mortgage market origination refinance volumes*



U.S. Title Segment Adjusted EBITDA^(A) relative to mortgage market origination refinance volumes*



Our long-term plan

We take a long-term view to manage and measure the success of our business strategies. Accordingly, our principal focus is on market share growth. We seek to achieve market share increases irrespective of residential mortgage origination market conditions. Market share growth is achieved by onboarding new customers and increasing market share with our existing clients. The mortgage market is subject to the influence of many factors, such as broader economic conditions, changes to interest rates, changing regulations and our clients’ share of the market; each of which are not within our control.

Fiscal 2025 targets

At the end of fiscal 2020, we set new targets through the end of fiscal 2025, which remain grounded in the same philosophy that has guided us to date. As outlined above, residential mortgage origination volumes in North America are a key driver of our financial performance and are influenced by cyclical trends and seasonality. We can’t control the factors that influence the cyclical and seasonal trends that impact the residential mortgage market, so we continue to be singularly focused on the things we can control, namely market share and Net Revenue^(A) and Adjusted EBITDA^(A) margins. Readers are cautioned that the fiscal 2025 targets may not be appropriate for other purposes.

By the end of fiscal 2025, our targets for U.S. Appraisal are to capture 7-9% of the TAM for purchase mortgage origination activity, 17-19% of the TAM for refinance mortgage origination activity, and achieve Net Revenue^(A) margins of 26-28% and Adjusted EBITDA^(A) margins of 65-70%. Our Net Revenue^(A) and Adjusted EBITDA^(A) margin targets are contingent on achieving our market share goals.

By the end of fiscal 2025, our targets for U.S. Title are to capture 6-8% of the TM for refinance mortgage origination activity, and achieve Net Revenue^(A) margins of 60-65% and Adjusted EBITDA^(A) margins of 50-55%. Our Net Revenue^(A) and Adjusted EBITDA^(A) margin targets are contingent on achieving our market share goal.

By the end of fiscal 2025, our targets for our Canadian segment are to achieve Net Revenue^(A) margins of 19-20% and Adjusted EBITDA^(A) margins of 65-70%.

Our target for our Corporate segment is to contain corporate expenses, excluding stock-based compensation expense, to 7% of Net Revenue^(A) by the end of fiscal 2025.

Our target to convert Adjusted EBITDA^(A) to Free Cash Flow^(A) is 70-75% between fiscal 2021 through the end of fiscal 2025.

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Margin expansion with volume growth

We expect to expand Net Revenue^(A) and Adjusted EBITDA^(A) margins across each of our segments in conjunction with an increase in the volumes we service, please refer to the “Fiscal 2025 targets” section of this MD&A.

We’re built for the long-run

We believe we have a significant amount of addressable market beyond our fiscal 2025 objectives. The U.S. mortgage market is one of the largest asset classes in the world and we provide our U.S. Appraisal, U.S. Title and Canadian services to blue-chip clients in the U.S. and Canada. Getting to first transaction with the largest mortgage lenders is no small task, and our continued strategy to outperform our competition by leveraging our platform helps solidify the relationships we have with our clients over the long-term. Our business is built for scale and we have a strong balance sheet and strong long-term Free Cash Flow^(A) generating profile to support our long-term business objectives.

Important factors affecting our results from operations

Our business is subject to a variety of risks and uncertainties, and the targets described above contain forward-looking information. Please refer to the “Cautionary Note Regarding Forward-Looking Information” contained in this MD&A for a description of the risks that impact our business and that could cause our financial results to vary.

Financial Performance

The following is a discussion of our consolidated financial condition and results of operations for the three and six months ended March 31, 2021 and 2020.

Review of Operations - For the three and six months ended March 31, 2021

We conduct our business in the U.S. and Canada through three reportable segments: (i) U.S. appraisal (“U.S. Appraisal”); (ii) U.S. title and closing (“U.S. Title”); and (iii) Canada or Canadian. Expenses attributable to corporate activities are recorded in our Corporate segment. Please refer to the tables in the “Foreign Currency Exchange Rates” section of this MD&A for additional details regarding the impact foreign currency exchange (“FX”) had on our consolidated operating results for the three and six months ended March 31, 2021.

Consolidated

	Three months ended March 31				Six months ended March 31					
	2021	2020	Change	% Change	2021	2020	Change	% Change		
Revenues	\$ 128,828	\$ 109,643	\$ 19,185	17.5%	\$ 249,126	\$ 213,424	\$ 35,702	16.7%		
Transaction costs	\$ 82,170	\$ 73,703	\$ 8,467	11.5%	\$ 158,442	\$ 142,214	\$ 16,228	11.4%		
Operating expenses	\$ 28,206	\$ 21,977	\$ 6,229	28.3%	\$ 55,715	\$ 43,532	\$ 12,183	28.0%		
Amortization	\$ 1,264	\$ 1,111	\$ 153	13.8%	\$ 2,502	\$ 2,200	\$ 302	13.7%		
<i>Non-GAAP measures</i>										
Net Revenue ^(A)	\$ 46,658	\$ 35,940	\$ 10,718	29.8%	\$ 90,684	\$ 71,210	\$ 19,474	27.3%		
Net Revenue ^(A) margin	36.2%	32.8%	3.4%	10.4%	36.4%	33.4%	3.0%	9.0%		
Adjusted EBITDA ^(A)	\$ 19,013	\$ 14,607	\$ 4,406	30.2%	\$ 36,431	\$ 29,155	\$ 7,276	25.0%		
Adjusted EBITDA ^(A) margin	40.7%	40.6%	0.1%	0.2%	40.2%	40.9%	-0.7%	-1.7%		

Three months ended

Revenues

Consolidated revenues increased on higher revenues from each of our operating segments. U.S. Title segment revenues increased due to higher market volumes for refinance activity, market share gains and net new client additions, partially offset by lower revenues for diversified and other services. U.S. Appraisal revenues increased as a result of higher market volumes, market share gains and new client additions, partially offset by a decline in other revenues. Revenues in our Canadian segment increased due to market share gains, higher market volumes and FX, partially offset by modestly lower insurance inspection revenues due to COVID-19.

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Transaction costs

Transaction costs include expenses directly attributable to a revenue transaction, including appraisal costs, various processing fees, including credit card fees, connectivity fees, insurance inspection costs, closing agent costs, external abstractor costs and external quality review costs.

On a consolidated basis, transaction costs in our U.S. Appraisal and Canadian segments increased due to higher volumes serviced, as outlined in the consolidated revenue discussion above, while transaction costs in our U.S. Title segment declined due to lower costs incurred to service lower diversified and other service revenues. In addition, we incurred lower transaction costs to service centralized title service revenues due to the flow of order volumes received in the quarter relative to order volumes closed in the quarter.

Operating expenses

The increase in consolidated operating expenses was due primarily to higher payroll and related costs of \$5.5 million, as we increased our capacity to service higher volumes in the current quarter. Of this increase, \$4.2 million was attributable to our U.S. Title segment and \$0.7 million was attributable to our U.S. Appraisal segment. Payroll and related costs increased in our corporate segment by \$0.6 million, while our Canadian segment recorded payroll and related costs that were flat with the second quarter of fiscal 2020. Higher courier costs of \$0.7 million and higher bank charges of \$0.4 million, due to higher volumes serviced in our U.S. Title segment, were partially offset by lower travel and entertainment expense of \$0.5 million due to COVID-19.

Amortization

Amortization increased due to the capitalization of right-of-use assets and higher amortization attributable to computer equipment due to higher employee head-count.

Net Revenue^(A) and Adjusted EBITDA^(A)

On a consolidated basis, Net Revenue^(A) and Adjusted EBITDA^(A) increased on higher revenues due to higher market volumes, market share gains and net new client additions. Consolidated Net Revenue^(A) margins increased due to a higher proportion of revenue generated by, and higher Net Revenue^(A) margins realized in, our U.S. Title segment. The increase in Net Revenue^(A) margins in our U.S. Title segment was due to the flow of closed centralized orders relative to incoming order volumes in the quarter. Net Revenue^(A) margins from diversified title revenues expanded due to the mix of services supplied while the decline in Net Revenue^(A) margins in our Canadian segment was due to the reduction in insurance inspection services supplied as a result of COVID-19 coupled with lower Net Revenue^(A) margins realized on appraisal services provided due to appraiser onboarding in a higher volume environment and product mix. Net Revenue^(A) margins decreased in our U.S. Appraisal segment due in part to the mix of volumes serviced and appraiser onboarding to service higher volumes, partially offset by servicing fewer lower margin home equity volumes. We recognized modestly higher consolidated Adjusted EBITDA^(A) margins due to higher consolidated revenues and Net Revenue^(A) margins, which was partially offset by the operating expense investments made in our U.S. Title and U.S. Appraisal segments to service higher volumes in the current quarter. These operating expense investments were partially offset by lower travel and entertainment expense as a result of COVID-19.

Six months ended

Revenues

Consolidated revenues increased on higher revenues from each of our operating segments. U.S. Title segment revenues increased due to higher market volumes for refinance activity, market share gains and net new client additions, partially offset by lower revenues for diversified and other services. U.S. Appraisal revenues increased as a result of higher market volumes, market share gains and new client additions, partially offset by a decline in other revenues. Revenues in our Canadian segment increased due to market share gains, higher market volumes and FX, partially offset by lower insurance inspection revenues due to COVID-19.

Transaction costs

On a consolidated basis, transaction costs in each of our operating segments increased due to higher overall volumes serviced, as outlined in the consolidated revenue discussion above. In addition, we incurred lower transaction costs to service centralized title service revenues due to the flow of order volumes received relative to order volumes closed in the first half of the year.

Operating expenses

The increase in consolidated operating expenses was due primarily to higher payroll and related costs of \$10.9 million, as we increased our capacity to service higher volumes in the first half of the year. Of this increase, \$8.5 million was attributable to our U.S. Title segment and \$1.3 million was attributable to our U.S. Appraisal segment. Payroll and related costs increased in our corporate

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segment by \$1.1 million, while our Canadian segment recorded payroll and related costs that were flat with the second half of fiscal 2020. Higher courier costs of \$1.3 million and higher bank charges of \$0.5 million, due to higher volumes serviced in our U.S. Title segment, were partially offset by lower travel and entertainment expense of \$1.0 million due to COVID-19 and lower advisory costs and bad debt expense.

Amortization

Amortization increased due to the capitalization of right-of-use assets and higher amortization attributable to computer equipment due to higher employee head-count.

Net Revenue^(A) and Adjusted EBITDA^(A)

On a consolidated basis, Net Revenue^(A) and Adjusted EBITDA^(A) increased on higher revenues due to higher market volumes, market share gains and net new client additions. Consolidated Net Revenue^(A) margins increased due to a higher proportion of revenue generated by, and higher Net Revenue^(A) margins realized in, our U.S. Title segment. The increase in Net Revenue^(A) margins in our U.S. Title segment was due to the flow of closed centralized orders relative to incoming order volumes in the first half of the year. Net Revenue^(A) margins from diversified title revenues expanded due to the mix of services supplied while the decline in Net Revenue^(A) margins in our Canadian segment was due to the reduction in insurance inspection services supplied as a result of COVID-19 coupled with lower Net Revenue^(A) margins realized on appraisal services provided due to appraiser onboarding in a higher volume environment and product mix. Net Revenue^(A) margins decreased in our U.S. Appraisal segment due in part to the mix of volumes serviced and appraiser onboarding to service higher volumes, partially offset by servicing fewer lower margin home equity volumes. We recognized lower consolidated Adjusted EBITDA^(A) margins due to the operating expense investments made in our U.S. Title and U.S. Appraisal segments to service higher volumes in the first half of the year. These operating expense investments were partially offset by lower travel and entertainment expense as a result of COVID-19.

U.S. Appraisal

	Three months ended March 31				Six months ended March 31				
	2021	2020	Change	% Change	2021	2020	Change	% Change	
Revenues	\$ 76,336	\$ 71,320	\$ 5,016	7.0%	\$ 145,891	\$ 138,699	\$ 7,192	5.2%	
Transaction costs	\$ 59,708	\$ 53,934	\$ 5,774	10.7%	\$ 113,570	\$ 105,837	\$ 7,733	7.3%	
Operating expenses	\$ 7,407	\$ 7,035	\$ 372	5.3%	\$ 14,267	\$ 13,663	\$ 604	4.4%	
Amortization	\$ 373	\$ 367	\$ 6	1.6%	\$ 766	\$ 734	\$ 32	4.4%	
<i>Non-GAAP measures</i>									
Net Revenue ^(A)	\$ 16,628	\$ 17,386	\$ (758)	-4.4%	\$ 32,321	\$ 32,862	\$ (541)	-1.6%	
Net Revenue ^(A) margin	21.8%	24.4%	-2.6%	-10.7%	22.2%	23.7%	-1.5%	-6.3%	
Adjusted EBITDA ^(A)	\$ 9,221	\$ 10,351	\$ (1,130)	-10.9%	\$ 18,054	\$ 19,199	\$ (1,145)	-6.0%	
Adjusted EBITDA ^(A) margin	55.5%	59.5%	-4.0%	-6.7%	55.9%	58.4%	-2.5%	-4.3%	
Revenues - purchase origination	24,351	22,547	1,804	8.0%	49,411	47,213	2,198	4.7%	
Revenues - refinance origination	46,954	41,115	5,839	14.2%	85,951	75,086	10,865	14.5%	
Revenues - other	5,031	7,658	(2,627)	-34.3%	10,529	16,400	(5,871)	-35.8%	

Three months ended

Revenues

U.S. Appraisal revenues increased due to higher market volumes, market share gains and new client additions. Home equity and default revenues, representing other revenues, declined due to lower market volumes for these services. We estimate that the addressable mortgage origination market was up approximately 11% year-over-year while origination only revenues grew approximately 12%.

Transaction costs

Transaction costs in our U.S. Appraisal segment increased due to higher volumes and the mix of volumes serviced, as outlined in the revenue discussion above.

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Operating expenses

Operating expenses in our U.S. Appraisal segment increased due to higher payroll and related costs of \$0.7 million to service higher volumes in the current quarter and to service higher anticipated volumes in the coming quarters, partially offset by lower travel and entertainment expense of \$0.2 million due to COVID-19.

Amortization

Amortization was flat between the second quarter of fiscal 2021 and the second quarter of fiscal 2020.

Net Revenue^(A) and Adjusted EBITDA^(A)

Our U.S. Appraisal segment serviced higher origination volumes due to higher market volumes, market share gains and new client additions, partially offset by lower other revenues. However, Net Revenue^(A) Net Revenue^(A) margins declined, due in part to the mix of volumes serviced and appraiser onboarding to service higher volumes, partially offset by servicing fewer lower margin home equity volumes. Adjusted EBITDA^(A) margins contracted due to lower Net Revenue^(A) margins and investments made to service higher anticipated volumes in the current quarter, partially offset by lower travel and entertainment expense due to COVID-19.

Six months ended

Revenues

U.S. Appraisal revenues increased due to higher market volumes, market share gains and new client additions. Home equity and default revenues, representing other revenues, declined due to lower market volumes for these services. We estimate that the addressable mortgage origination market was up approximately 7% year-over-year while origination only revenues grew approximately 11%.

Transaction costs

Transaction costs in our U.S. Appraisal segment increased due to higher volumes and the mix of volumes serviced, as outlined in the revenue discussion above.

Operating expenses

Operating expenses in our U.S. Appraisal segment increased due to higher payroll and related costs of \$1.3 million to service higher volumes in the first half of fiscal 2021 and to service higher anticipated volumes in the coming quarters, partially offset by lower travel and entertainment expense of \$0.5 million due to COVID-19.

Amortization

Amortization was flat between the first half of fiscal 2021 and the first half of fiscal 2020.

Net Revenue^(A) and Adjusted EBITDA^(A)

Our U.S. Appraisal segment serviced higher origination volumes due to higher market volumes, market share gains and new client additions, partially offset by lower other revenues. However, Net Revenue^(A) and Net Revenue^(A) margins declined, due in part to the mix of volumes serviced and appraiser onboarding to service higher volumes, partially offset by servicing fewer lower margin home equity volumes. Adjusted EBITDA^(A) margins contracted due to lower Net Revenue^(A) margins and investments made to service higher anticipated volumes in the first half of fiscal 2021, partially offset by lower travel and entertainment expense due to COVID-19.

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

U.S. Title

	Three months ended March 31				Six months ended March 31				
	2021	2020	Change	% Change	2021	2020	Change	% Change	
Revenues	\$ 40,050	\$ 30,808	\$ 9,242	30.0%	\$ 79,987	\$ 59,531	\$ 20,456	34.4%	
Transaction costs	\$ 11,772	\$ 13,581	\$ (1,809)	-13.3%	\$ 25,029	\$ 23,831	\$ 1,198	5.0%	
Operating expenses	\$ 15,254	\$ 10,113	\$ 5,141	50.8%	\$ 30,319	\$ 20,141	\$ 10,178	50.5%	
Amortization	\$ 736	\$ 604	\$ 132	21.9%	\$ 1,428	\$ 1,192	\$ 236	19.8%	
<i>Non-GAAP measures</i>									
Net Revenue ^(A)	\$ 28,278	\$ 17,227	\$ 11,051	64.1%	\$ 54,958	\$ 35,700	\$ 19,258	53.9%	
Net Revenue ^(A) margin	70.6%	55.9%	14.7%	26.3%	68.7%	60.0%	8.7%	14.5%	
Adjusted EBITDA ^(A)	\$ 13,024	\$ 7,114	\$ 5,910	83.1%	\$ 24,639	\$ 15,559	\$ 9,080	58.4%	
Adjusted EBITDA ^(A) margin	46.1%	41.3%	4.8%	11.6%	44.8%	43.6%	1.2%	2.8%	
Revenues - centralized title	36,694	20,570	16,124	78.4%	72,848	39,316	33,532	85.3%	
Revenues - diversified title	2,029	7,165	(5,136)	-71.7%	4,435	13,704	(9,269)	-67.6%	
Revenues - other	1,327	3,073	(1,746)	-56.8%	2,704	6,511	(3,807)	-58.5%	

Three months ended

Revenues

Revenues in our U.S. Title segment increased due to higher market volumes for refinance activity, market share gains and net new client additions, partially offset by lower revenues for diversified and other services. The lower interest rate environment contributed to the increase in market volumes for refinance activity, while our average revenue per transaction declined due to geographic mix. Revenues attributable to centralized title services increased \$16.1 million to \$36.7 million, while diversified revenues totaled \$2.0 million, representing a decline of \$5.1 million from the second quarter of fiscal 2020. The decrease in diversified revenues was due to lower commercial, search and capital markets revenue, as we reallocated internal resources to support the revenue growth for centralized title services. The decline in other revenues was due to lower market activity for home equity services. We estimate the refinance mortgage origination market increased approximately 71% year-over-year which compares to centralized title revenue growth of approximately 78% year-over-year.

Transaction costs

Transaction costs in our U.S. Title segment declined due to lower diversified and home equity services supplied. Partially offsetting these declines, were higher transaction costs attributable to centralized title services due to higher refinance volumes serviced, as outlined in the revenue discussion above.

Operating expenses

Operating expenses in our U.S. Title segment increased due to higher payroll and related costs of \$4.2 million, as we increased our capacity to service higher volumes in the current quarter, including our capacity to service the launch of our first Tier 1 title client. We also incurred costs for courier services of \$0.7 million and bank fees of \$0.4 million, due to the increase in centralized title volumes serviced. These increases were partially offset by lower travel and entertainment expense of \$0.1 million due to COVID-19.

Amortization

Amortization increased due to the capitalization of right-of-use assets and higher amortization attributable to computer equipment due to higher employee head-count.

Net Revenue^(A) and Adjusted EBITDA^(A)

Our U.S. Title segment recorded higher Net Revenue^(A) due to an increase in refinance volumes serviced, while the decline in average revenue per transaction for centralized title services was the result of changes in geographic mix. Overall, Net Revenue^(A) margins expanded due to the flow of centralized title volumes closed relative to those received in the quarter, while Net Revenue^(A) margins for diversified revenues expanded due to the mix of services supplied. Operating expenses increased due to higher payroll and related costs, as we increased our capacity to service higher volumes in the current quarter, including our capacity to service the launch of our first Tier 1 title client. The increase in Net Revenue^(A) and Net Revenue^(A) margins, offset the increase in operating expenses, which resulted in the expansion of Adjusted EBITDA^(A) margins year-over-year.

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

Six months ended

Revenues

Revenues in our U.S. Title segment increased due to higher market volumes for refinance activity, market share gains and net new client additions, partially offset by lower revenues for diversified and other services. The lower interest rate environment contributed to the increase in market volumes for refinance activity, while our average revenue per transaction declined due to geographic mix. Revenues attributable to centralized title services increased \$33.5 million to \$72.8 million, while diversified revenues totaled \$4.4 million, representing a decline of \$9.3 million from the first half of fiscal 2020. The decrease in diversified revenues was due to lower commercial, search and capital markets revenue, as we reallocated internal resources to support the revenue growth for centralized title services. The decline in other revenues was due to lower market activity for home equity services. We estimate the refinance mortgage origination market increased approximately 64% year-over-year which compares to centralized title revenue growth of approximately 85% year-over-year.

Transaction costs

Transaction costs in our U.S. Title segment increased due to higher refinance volumes serviced, as outlined in the revenue discussion above, which was partially offset by a decline in transaction costs attributable to diversified and home equity volumes due to the decrease in services supplied.

Operating expenses

Operating expenses in our U.S. Title segment increased due to higher payroll and related costs totaling \$8.5 million, as we increased our capacity to service higher volumes in the current quarter, including our capacity to service the launch of our first Tier 1 title client. We also incurred higher office costs for courier services of \$1.3 million and bank fees of \$0.5 million, due to the increase in centralized title volumes serviced. These increases were partially offset by lower travel and entertainment expense of \$0.2 million due to COVID-19.

Amortization

Amortization increased due to the capitalization of right-of-use assets and higher amortization attributable to computer equipment due to higher employee head-count.

Net Revenue^(A) and Adjusted EBITDA^(A)

Our U.S. Title segment recorded higher Net Revenue^(A) due to an increase in refinance volumes serviced, while the decline in average revenue per transaction for centralized title services was the result of changes in geographic mix. Overall, Net Revenue^(A) margins expanded due to the flow of centralized title volumes closed relative to those received in first half of the year, while Net Revenue^(A) margins for diversified revenues expanded due to the mix of services supplied. Operating expenses increased due to higher payroll and related costs, as we increased our capacity to service higher volumes in the first half of the year, including our capacity to service the launch of our first Tier 1 title client. The increase in Net Revenue^(A) and Net Revenue^(A) margins, offset the increase in operating expenses, which resulted in the expansion of Adjusted EBITDA^(A) margins year-over-year.

Canada

	Three months ended March 31				Six months ended March 31				
	2021	2020	Change	% Change	2021	2020	Change	% Change	
Revenues	\$ 12,442	\$ 7,515	\$ 4,927	65.6%	\$ 23,248	\$ 15,194	\$ 8,054	53.0%	
Transaction costs	\$ 10,690	\$ 6,188	\$ 4,502	72.8%	\$ 19,843	\$ 12,546	\$ 7,297	58.2%	
Operating expenses	\$ 515	\$ 554	\$ (39)	-7.0%	\$ 950	\$ 1,149	\$ (199)	-17.3%	
Amortization	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	
<i>Non-GAAP measures</i>									
Net Revenue ^(A)	\$ 1,752	\$ 1,327	\$ 425	32.0%	\$ 3,405	\$ 2,648	\$ 757	28.6%	
Net Revenue ^(A) margin	14.1%	17.7%	-3.6%	-20.3%	14.6%	17.4%	-2.8%	-16.1%	
Adjusted EBITDA ^(A)	\$ 1,237	\$ 773	\$ 464	60.0%	\$ 2,455	\$ 1,499	\$ 956	63.8%	
Adjusted EBITDA ^(A) margin	70.6%	58.3%	12.3%	21.1%	72.1%	56.6%	15.5%	27.4%	

Three months ended

Revenues

Revenues in our Canadian segment increased due to higher appraisal volumes from market share gains with certain Canadian clients, higher market volumes and FX, partially offset by modestly lower revenues from insurance inspection services due to COVID-

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19. Canadian revenues from appraisal and insurance inspection services were \$11.8 million and \$0.6 million, respectively, in fiscal 2021, compared to \$6.6 million and \$0.9 million in the same quarter last year.

Transaction costs

Transaction costs in our Canadian segment increased due to higher overall volumes serviced, the mix of services supplied and FX.

Operating expenses

The decline in Canadian segment operating expenses was due to modestly lower payroll and related costs and modestly lower travel and entertainment expense due to COVID-19.

Amortization

Amortization was unchanged between the second quarter of fiscal 2021 and the second quarter of fiscal 2020.

Net Revenue^(A) and Adjusted EBITDA^(A)

Net Revenue^(A) increased between quarters due to higher appraisal volumes from market share gains with certain Canadian clients and higher market volumes, while Net Revenue^(A) margins declined due to a reduction in insurance inspection services supplied as a result of COVID-19 and the mix of mortgage origination volumes serviced. Adjusted EBITDA^(A) and Adjusted EBITDA^(A) margins increased as a result of leveraging our appraisal operations in a higher overall volume environment and incurring modestly lower payroll and related costs and travel and entertainment expense due to COVID-19.

Six months ended

Revenues in our Canadian segment increased due to higher appraisal volumes from market share gains with certain Canadian clients, higher market volumes and FX, partially offset by modestly lower revenues from insurance inspection services due to COVID-19. Canadian revenues from appraisal and insurance inspection services were \$21.7 million and \$1.5 million, respectively, in fiscal 2021, compared to \$13.3 million and \$1.9 million in the first half of last year.

Transaction costs

Transaction costs in our Canadian segment increased due to higher overall volumes serviced, the mix of services supplied and FX.

Operating expenses

The decline in Canadian segment operating expenses was due to modestly lower payroll and related costs and modestly lower travel and entertainment expense due to COVID-19.

Amortization

Amortization was unchanged between the first half of fiscal 2021 and the first half of fiscal 2020.

Net Revenue^(A) and Adjusted EBITDA^(A)

Net Revenue^(A) increased between quarters due to higher appraisal volumes from market share gains with certain Canadian clients and higher market volumes, while Net Revenue^(A) margins declined due to a reduction in insurance inspection services as a result of COVID-19 and the mix of mortgage origination volumes serviced. Adjusted EBITDA^(A) and Adjusted EBITDA^(A) margins increased as a result of leveraging our appraisal operations in a higher overall volume environment and incurring modestly lower payroll and related costs and travel and entertainment expense due to COVID-19.

Corporate and other items

	Three months ended March 31				Six months ended March 31			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Operating expenses	\$ 5,030	\$ 4,275	\$ 755	17.7%	\$ 10,179	\$ 8,579	\$ 1,600	18.7%
Amortization	\$ 155	\$ 140	\$ 15	10.7%	\$ 308	\$ 274	\$ 34	12.4%
Interest expense	\$ 128	\$ 129	\$ (1)	-0.8%	\$ 253	\$ 257	\$ (4)	-1.6%
Interest income	\$ (37)	\$ (237)	\$ 200	-84.4%	\$ (101)	\$ (460)	\$ 359	-78.0%
Net foreign exchange loss (gain)	\$ 1,515	\$ (12,419)	\$ 13,934	-112.2%	\$ 7,476	\$ (9,286)	\$ 16,762	-180.5%
(Gain) loss on fair value								
of warrants	\$ (746)	\$ 721	\$ (1,467)	-203.5%	\$ (1,736)	\$ 1,627	\$ (3,363)	-206.7%
Income tax expense	\$ 4,654	\$ 6,006	\$ (1,352)	-22.5%	\$ 7,812	\$ 9,555	\$ (1,743)	-18.2%

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

Three months ended

Operating expenses

Corporate operating expenses increased on higher payroll and related costs of \$0.6 million, with net new employees, salary increases and FX accounting for the increase. This increase was partially offset by modestly lower travel and entertainment expense due to COVID-19.

Amortization

The modest increase in amortization expense was attributable to new computer equipment due to higher employee head-count.

Interest expense

Interest expense was largely unchanged between the second quarter of fiscal 2021 and the second quarter of fiscal 2020.

Interest income

The decline in interest income was attributable to lower interest earned on invested cash amounts due to the impact COVID-19 has had on investment returns.

Net foreign exchange loss (gain)

Net foreign exchange gains or losses represent non-cash gains or losses on long-term financing arrangements between our Canadian and U.S. entities within the consolidated group of companies and gains or losses recorded on the revaluation of U.S. denominated short-term investments recorded as cash equivalents. The loss in the second quarter of fiscal 2021 and the comparable gain in the second quarter of fiscal 2020 were the result of changes in the FX rate between the Canadian and U.S. dollar.

(Gain) loss on fair value of warrants

Our share price declined in the second quarter of fiscal 2021, which required us to reduce our warrant liability accrual and recognize a corresponding gain on the fair value of warrants. In the second quarter of fiscal 2020 our share price increased, which resulted in us recognizing a loss on the fair value of warrants.

Income tax expense

We recorded income of \$16.3 million before income tax expense in the second quarter of fiscal 2021. Income tax calculated at the statutory income tax rate resulted in income tax expense of \$4.3 million, and an additional \$0.2 million of income tax expense was attributable to foreign earnings subject to tax at a different statutory tax rate. Income attributable to non-controlling interests of \$0.7 million, was partially offset by a recovery of non-deductible and state taxes totaling \$0.5 million.

Six months ended

Operating expenses

Corporate operating expenses increased on higher payroll and related costs of \$1.1 million, with net new employees, salary increases and FX accounting for the increase. Data centre and computer costs increased \$0.4 million, in the aggregate, due to higher transaction volumes and higher employee head-count. Consulting and professional fees increased \$0.2 million, due in part to the implementation of a long-term financing structure, partially offset by modestly lower travel and entertainment expense due to COVID-19.

Amortization

The modest increase in amortization expense was attributable to new computer equipment due to higher employee head-count.

Interest expense

Interest expense was largely unchanged between the first half of fiscal 2021 and the first half of fiscal 2020.

Interest income

The decline in interest income was attributable to lower interest earned on invested cash amounts due to the impact COVID-19 has had on investment returns.

Net foreign exchange loss (gain)

The loss in the first half of fiscal 2021 and the comparable gain in the first half of fiscal 2020 were the result of changes in the FX rate between the Canadian and U.S. dollar.

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

(Gain) loss on fair value of warrants

Our share price declined in the first half of fiscal 2021, which required us to reduce our warrant liability accrual and recognize a corresponding gain on the fair value of warrants. In the first half of fiscal 2020 our share price increased, which resulted in us recognizing a loss on the fair value of warrants.

Income tax expense

We recorded income of \$26.6 million before income tax expense in the first half of fiscal 2021. Income tax calculated at the statutory income tax rate resulted in income tax expense of \$7.0 million, and an additional \$0.4 million of income tax expense was attributable to foreign earnings subject to tax at a different statutory tax rate. Income attributable to non-controlling interests of \$0.7 million and non-deductible expenses of \$0.3 million, was partially offset by state taxes of \$0.6 million.

Non-GAAP measures

We prepare our financial statements in accordance with IFRS. However, we consider certain non-GAAP financial measures as useful additional information to assess our financial performance. These measures, which we believe are widely used by investors, securities analysts and other interested parties to evaluate our performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include “Adjusted EBITDA”, “Net Revenue”, “Adjusted Net Income or Loss”, “Free Cash Flow” and “Free Cash Flow Conversion”.

(A)

Adjusted EBITDA

All references to “Adjusted EBITDA” in this MD&A are to net income or loss before stock-based compensation expense, amortization, interest expense, interest income, net foreign exchange gain or loss, gain or loss on fair value of warrants and income tax expense or recovery. Adjusted EBITDA is a measure of our operating profitability and therefore excludes certain items that are viewed by us as either non-cash (in the case of stock-based compensation expense, amortization, unrealized net foreign exchange gain or loss, gain or loss on the fair value of warrants and deferred income taxes) or non-operating (in the case of realized net foreign exchange gain or loss, interest expense, interest income and current income taxes). Adjusted EBITDA is a useful financial and operating metric for the Company, our board of directors and our lender, and represents a measure of our operating performance to value our Company relative to our peers and to measure the Company’s compliance with its long-term debt facility covenants. The underlying reasons for excluding each item are as follows:

Stock-based compensation expense: These costs represent non-cash expenses for equity settled stock-based compensation awards. These non-cash amounts are recorded to operating expenses and represent a different class of expense than those included in Adjusted EBITDA.

Amortization: As a non-cash item, amortization is not indicative of our operating profitability and therefore represents a different class of expense than those included in Adjusted EBITDA.

Interest expense and income: Interest expense or income reflects our debt and equity mix, interest rates, investment strategy and borrowing position from time-to-time. Accordingly, interest expense or income reflects our treasury and financing activities and therefore represents a different class of expense or income than those included in Adjusted EBITDA.

Net foreign exchange gain or loss: As non-cash items, unrealized net foreign exchange gains or losses are not indicative of our operating profitability. Realized net foreign exchange gains or losses reflects our treasury and financing activities and represent a different class of income or expense than those included in Adjusted EBITDA.

Gain or loss on fair value of warrants: As a non-cash item, gains or losses resulting from the fair value of warrants is not indicative of our operating profitability. Gains or losses from the fair value of warrants reflects our treasury and financing activities and represent a different class of income or expense than those included in Adjusted EBITDA.

Income taxes: Income taxes are a function of tax laws and rates and are affected by matters that are separate from our daily operations. Income taxes are not indicative of our operating profitability and represent a different class of expense or recovery than those included in Adjusted EBITDA.

Real Matters Inc. – MD&A for the three and six months ended March 31, 2021 and 2020

(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

The reconciling items between Adjusted EBITDA and net income or loss are detailed in the unaudited condensed consolidated statements of operations and comprehensive income or loss for the three and six months ended March 31, 2021 and 2020. The reconciling items between net income or loss and Adjusted EBITDA for the three and six months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Net income	\$ 11,674	\$ 18,652	\$ 18,763	\$ 23,785
Stock-based compensation expense	561	644	1,462	1,477
Amortization	1,264	1,111	2,502	2,200
Interest expense	128	129	253	257
Interest income	(37)	(237)	(101)	(460)
Net foreign exchange loss (gain)	1,515	(12,419)	7,476	(9,286)
(Gain) loss on fair value of warrants	(746)	721	(1,736)	1,627
Income tax expense	4,654	6,006	7,812	9,555
Adjusted EBITDA	\$ 19,013	\$ 14,607	\$ 36,431	\$ 29,155

Management calculates Adjusted EBITDA as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Revenues	\$ 128,828	\$ 109,643	\$ 249,126	\$ 213,424
Less: Transaction costs	82,170	73,703	158,442	142,214
Less: Operating expenses	28,206	21,977	55,715	43,532
Add: Stock-based compensation expense	561	644	1,462	1,477
Adjusted EBITDA	\$ 19,013	\$ 14,607	\$ 36,431	\$ 29,155

Adjusted EBITDA by reportable segment was as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
U.S. Appraisal	\$ 9,221	\$ 10,351	\$ 18,054	\$ 19,199
U.S. Title	13,024	7,114	24,639	15,559
Canada	1,237	773	2,455	1,499
Corporate (excluding stock-based compensation expense)	(4,469)	(3,631)	(8,717)	(7,102)
Consolidated Adjusted EBITDA	\$ 19,013	\$ 14,607	\$ 36,431	\$ 29,155

Adjusted EBITDA margin (expressed as Adjusted EBITDA divided by Net Revenue) by reportable segment and consolidated was as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
U.S. Appraisal	55.5%	59.5%	55.9%	58.4%
U.S. Title	46.1%	41.3%	44.8%	43.6%
Canada	70.6%	58.3%	72.1%	56.6%
Consolidated Adjusted EBITDA margin (including Corporate, but excluding stock-based compensation expense)	40.7%	40.6%	40.2%	40.9%

Net Revenue

All references to “Net Revenue” in this MD&A are to Adjusted EBITDA plus operating expenses less stock-based compensation expense. Net Revenue is an additional measure of our operating profitability and therefore excludes certain items detailed below. Net Revenue represents the difference between revenues and transaction costs, where transaction costs represent expenses directly attributable to a specific revenue transaction which include: appraisal costs, various processing fees, credit card fees, connectivity fees, insurance inspection costs, closing agent costs, external abstractor costs and external quality review costs. Net Revenue is a useful financial and operating metric for us and our board of directors to assess our operating performance and serves as a measure to value our Company relative to our peers.

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

The reconciling items between net income or loss and Net Revenue are detailed in the unaudited condensed consolidated statements of operations and comprehensive income or loss. The reconciling items between net income or loss and Net Revenue for the three and six months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Net income	\$ 11,674	\$ 18,652	\$ 18,763	\$ 23,785
Operating expenses	28,206	21,977	55,715	43,532
Amortization	1,264	1,111	2,502	2,200
Interest expense	128	129	253	257
Interest income	(37)	(237)	(101)	(460)
Net foreign exchange loss (gain)	1,515	(12,419)	7,476	(9,286)
(Gain) loss on fair value of warrants	(746)	721	(1,736)	1,627
Income tax expense	4,654	6,006	7,812	9,555
Net Revenue	\$ 46,658	\$ 35,940	\$ 90,684	\$ 71,210

Management calculates Net Revenue as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Revenues	\$ 128,828	\$ 109,643	\$ 249,126	\$ 213,424
Less: Transaction costs	82,170	73,703	158,442	142,214
Net Revenue	\$ 46,658	\$ 35,940	\$ 90,684	\$ 71,210

Net Revenue by reportable segment was as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
U.S. Appraisal	\$ 16,628	\$ 17,386	\$ 32,321	\$ 32,862
U.S. Title	28,278	17,227	54,958	35,700
Canada	1,752	1,327	3,405	2,648
Consolidated Net Revenue	\$ 46,658	\$ 35,940	\$ 90,684	\$ 71,210

Net Revenue margin (expressed as Net Revenue divided by Revenues) by reportable segment and consolidated was as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
U.S. Appraisal	21.8%	24.4%	22.2%	23.7%
U.S. Title	70.6%	55.9%	68.7%	60.0%
Canada	14.1%	17.7%	14.6%	17.4%
Consolidated Net Revenue margin	36.2%	32.8%	36.4%	33.4%

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(tabular and graphical amounts are expressed in thousands of U.S. dollars and thousands of shares, excluding per share amounts, unless otherwise stated)

Adjusted Net Income or Loss

All references to “Adjusted Net Income or Loss” in this MD&A are to net income or loss before stock-based compensation expense, amortization of intangibles, net foreign exchange gain or loss, gain or loss on fair value of warrants, net of the related tax effects. Adjusted Net Income or Loss is a term that does not have a standardized meaning prescribed by IFRS and is unlikely to be comparable to similar measures used by other entities. Adjusted Net Income or Loss is a measure of our operating profitability and, by definition, excludes certain items detailed above. These items are viewed by us as either non-cash (in the case of stock-based compensation expense, amortization of intangibles, unrealized net foreign exchange gain or loss and gain or loss on fair value of warrants) or non-operating (in the case of realized net foreign exchange gain or loss). Adjusted Net Income or Loss is a useful financial and operating metric for us and our board of directors as it represents net income from operations which excludes treasury, capital, acquisition and related costs, and non-operating costs.

The reconciling items between net income or loss and Adjusted Net Income or Loss for the three and six months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Net income	\$ 11,674	\$ 18,652	\$ 18,763	\$ 23,785
Stock-based compensation expense	561	644	1,462	1,477
Amortization of intangibles	432	432	864	864
Net foreign exchange loss (gain)	1,515	(12,419)	7,476	(9,286)
(Gain) loss on fair value of warrants	(746)	721	(1,736)	1,627
Related tax effects	(325)	3,015	(1,764)	1,810
Adjusted Net Income	\$ 13,111	\$ 11,045	\$ 25,065	\$ 20,277

Free Cash Flow and Free Cash Flow Conversion

All references to “Free Cash Flow” in this MD&A are to cash generated from operating activities, adjusted for changes in non-cash working capital items, the purchase of property and equipment, income taxes paid, current income tax expense, interest expense net of interest paid and net foreign currency exchange gain or loss net of unrealized foreign currency exchange gain or loss on internal financing arrangements. Free Cash Flow is a term that does not have a standardized meaning prescribed by IFRS and is unlikely to be comparable to similar measures used by other entities. Free Cash Flow is a measure of our ability to generate cash from operating activities and represents a proxy for cash to cover costs such as interest expense, current income taxes and the purchase of property and equipment, and by definition, excludes certain items detailed above. Excluded items are viewed by us as non-cash (in the case of net foreign currency exchange gain or loss net of unrealized foreign exchange gain or loss on internal financing arrangements), or non-operating. We have also excluded changes in non-cash working capital items from the calculation of Free Cash Flow, as changes in non-cash working capital items are often temporary in nature and reflect the timing of cash receipts for trade and other receivables or payments made on account of trade payables or accrued liabilities. We have also excluded the differences attributable to the timing of cash tax or interest payments, and have reduced Free Cash Flow by the expense recognized for each as recorded in our unaudited condensed consolidated statement of operations and comprehensive income or loss. Free Cash Flow is a useful financial and operating metric for us and our board of directors as it represents a proxy for our ability to generate cash that we can use for other purposes, including but not limited to, the purchase of shares under our normal course issuer bid and future acquisitions or investment.

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All references to “Free Cash Flow Conversion” in this MD&A are to Free Cash Flow divided by Adjusted EBITDA. Free Cash Flow Conversion is a useful financial and operating metric for us and our board of directors as it represents a proxy for our ability to convert Adjusted EBITDA into Free Cash Flow.

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Cash generated from operating activities	\$ 18,348	\$ 23,455	\$ 25,644	\$ 37,716
Less: changes in non-cash working capital items	2,203	4,324	(1,936)	5,575
Less: purchase of property and equipment	389	741	2,692	1,178
Add: income taxes paid	2,284	360	5,909	935
Less: current income tax expense	3,604	14	8,809	893
Less: interest expense net of interest paid	14	23	29	47
Add: net foreign currency exchange gain or loss net of unrealized foreign exchange gain or loss on internal financing arrangements	507	(4,753)	2,819	(3,671)
Free Cash Flow	\$ 14,929	\$ 13,960	\$ 24,778	\$ 27,287

Management calculates Free Cash Flow as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Adjusted EBITDA	\$ 19,013	\$ 14,607	\$ 36,431	\$ 29,155
Less: interest expense	128	129	253	257
Add: interest income	37	237	101	460
Less: current income tax expense	3,604	14	8,809	893
Less: purchase of property and equipment	389	741	2,692	1,178
Free Cash Flow	\$ 14,929	\$ 13,960	\$ 24,778	\$ 27,287

Free Cash Flow Conversion is calculated as follows:

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Free Cash Flow	\$ 14,929	\$ 13,960	\$ 24,778	\$ 27,287
Divided by: Adjusted EBITDA	\$ 19,013	\$ 14,607	\$ 36,431	\$ 29,155
Free Cash Flow Conversion	78.5%	95.6%	68.0%	93.6%

Adjusted EBITDA, Net Revenue, Adjusted Net Income or Loss, Free Cash Flow and Free Cash Flow Conversion should not be considered, in isolation, indicators of our financial performance, or as an alternative to, or a substitute for, net income or loss, cash from operating activities or other financial statement data presented in our financial statements.

Dividends

The Company’s current policy is to not pay dividends.

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Summary of Quarterly Results

2021		Q2	Q1	Total
Revenues				
U.S. Appraisal	\$	76,336	\$ 69,555	\$ 145,891
U.S. Title		40,050	39,937	79,987
Canada		12,442	10,806	23,248
Total revenues	\$	128,828	\$ 120,298	\$ 249,126
Net income	\$	11,674	\$ 7,089	\$ 18,763
Net income - attributable to common shareholders	\$	11,538	\$ 7,116	\$ 18,654
Net income per weighted average share, basic	\$	0.14	\$ 0.08	\$ 0.22
Net income per weighted average share, diluted	\$	0.13	\$ 0.08	\$ 0.21

2020		Q4	Q3	Q2	Q1	Total
Revenues						
U.S. Appraisal	\$	70,801	\$ 72,601	\$ 71,320	\$ 67,379	\$ 282,101
U.S. Title		43,935	38,931	30,808	28,723	142,397
Canada		9,695	6,558	7,515	7,679	31,447
Total revenues	\$	124,431	\$ 118,090	\$ 109,643	\$ 103,781	\$ 455,945
Net income	\$	12,728	\$ 6,285	\$ 18,652	\$ 5,133	\$ 42,798
Net income - attributable to common shareholders	\$	12,568	\$ 5,893	\$ 18,519	\$ 5,011	\$ 41,991
Net income per weighted average share, basic	\$	0.15	\$ 0.07	\$ 0.22	\$ 0.06	\$ 0.50
Net income per weighted average share, diluted	\$	0.14	\$ 0.07	\$ 0.21	\$ 0.06	\$ 0.47

2019		Q4	Q3	Q2	Q1	Total
Revenues						
U.S. Appraisal	\$	68,914	\$ 61,095	\$ 43,120	\$ 39,588	\$ 212,717
U.S. Title		30,109	22,786	14,789	14,965	82,649
Canada		8,303	7,544	5,344	5,980	27,171
Total revenues	\$	107,326	\$ 91,425	\$ 63,253	\$ 60,533	\$ 322,537
Net income (loss)	\$	7,951	\$ 4,434	\$ (6,750)	\$ 4,459	\$ 10,094
Net income (loss) - attributable to common shareholders	\$	7,779	\$ 3,885	\$ (6,953)	\$ 4,247	\$ 8,958
Net income (loss) per weighted average share, basic	\$	0.09	\$ 0.05	\$ (0.08)	\$ 0.05	\$ 0.10
Net income (loss) per weighted average share, diluted	\$	0.09	\$ 0.04	\$ (0.08)	\$ 0.05	\$ 0.10

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Revenues

U.S. Appraisal Segment

	Q4	Q3	Q2	Q1	Year-to-date period total	Total	
2021		\$	76,336	\$	69,555	\$	145,891
2020	\$ 70,801	\$ 72,601	\$ 71,320	\$ 67,379	\$ 138,699	\$ 282,101	
2019	\$ 68,914	\$ 61,095	\$ 43,120	\$ 39,588	\$ 82,708	\$ 212,717	
Change (2021-2020)		\$	5,016	\$	2,176	\$	7,192
Change (2020-2019)	\$ 1,887	\$ 11,506	\$ 28,200	\$ 27,791	\$ 55,991	\$ 69,384	

2021-2020

U.S. Appraisal revenues increased in each of the first two quarters in fiscal 2021 compared to the corresponding quarters in fiscal 2020. These increases were due to higher market volumes, market share gains and new client additions. Home equity and default revenues declined due to lower market volumes for these services.

2020-2019

U.S. Appraisal revenues increased each quarter in fiscal 2020 when compared to the corresponding quarter in fiscal 2019 due to market share gains, most notably with our Tier 1 clients, the addition of new clients and higher market volumes. Revenues in the second quarter of fiscal 2020 also increased due to very strong purchase and refinance volumes received in early March, which was an early indication of a strong pre-spring market prior to the onset of COVID-19, coupled with a lower U.S. 10-year treasury yield. The U.S. 10-year treasury yield remained low in the third and fourth quarters of fiscal 2020, resulting in continued strength for refinance activity. Average revenue per transaction increased in each quarter due to service mix, the result of a higher proportion of higher priced market volumes serviced.

U.S. Title Segment

	Q4	Q3	Q2	Q1	Year-to-date period total	Total	
2021		\$	40,050	\$	39,937	\$	79,987
2020	\$ 43,935	\$ 38,931	\$ 30,808	\$ 28,723	\$ 59,531	\$ 142,397	
2019	\$ 30,109	\$ 22,786	\$ 14,789	\$ 14,965	\$ 29,754	\$ 82,649	
Change (2021-2020)		\$	9,242	\$	11,214	\$	20,456
Change (2020-2019)	\$ 13,826	\$ 16,145	\$ 16,019	\$ 13,758	\$ 29,777	\$ 59,748	

2021-2020

Revenues in our U.S. Title segment increased in the first two quarters of fiscal 2021 compared to the corresponding quarters in fiscal 2020. These increases were due to higher market volumes for refinance activity, market share gains and net new client additions, partially offset by lower revenues for diversified and other services. The lower interest rate environment contributed to the increase in higher market volumes for refinance activity, while our average revenue per transaction declined due to geographic mix. The decrease in diversified revenues was due to lower commercial, search and capital markets revenue, as we reallocated internal resources to support the revenue growth for centralized title services while the decline in other revenues was due to lower market activity for home equity services.

2020-2019

U.S. Title segment revenues increased each quarter in fiscal 2020 when compared to the corresponding quarter in fiscal 2019 due to higher market volumes for refinance activity, market share gains and new client additions, partially offset by lower revenues for diversified services in the second half of fiscal 2020. The lower interest rate environment contributed to the increase in market volumes for refinance activity in each quarter of fiscal 2020, and although reported volumes increased, average revenue per transaction declined in the first three quarters of fiscal 2020, but increased in the fourth quarter of fiscal 2020, due to geographic mix. U.S. Title segment revenues attributable to reported volumes increased, while diversified revenues increased in the first and second quarters of fiscal 2020 due to higher capital markets activity, partially offset by lower commercial and search activity, and declined in the third and fourth quarters of fiscal 2020 due to lower commercial, search and capital markets activity, due in part to reallocating resources to service higher market volumes for refinance activity.

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Canadian Segment – expressed in thousands of Canadian dollars (“C\$”)

	Q4	Q3	Q2	Q1	Year-to-date period total	Total	
2021		\$	15,788	\$	14,080	\$	29,868
2020	\$ 12,944	\$ 9,128	\$ 10,102	\$ 10,137	\$ 20,239	\$ 42,311	
2019	\$ 10,981	\$ 10,072	\$ 7,106	\$ 7,902	\$ 15,008	\$ 36,061	
Change (2021-2020)		\$	5,686	\$	3,943	\$	9,629
Change (2020-2019)	\$ 1,963	\$ (944)	\$ 2,996	\$ 2,235	\$ 5,231	\$ 6,250	

2021-2020

Revenues in Canada increased in the first two quarters of fiscal 2021 compared to the corresponding quarters in fiscal 2020. These increases were due to higher appraisal volumes from market share gains with certain Canadian clients, higher market volumes, partially offset by modestly lower revenues from insurance inspection services supplied due to COVID-19.

2020-2019

Revenues in Canada increased in the first two quarters and the fourth quarter of fiscal 2020 compared to the same quarters in fiscal 2019 due to higher appraisal volumes serviced from market share gains with certain Canadian clients and stronger market volumes. Revenues in Canada declined in the third quarter of fiscal 2020 due to insurance inspection services being temporarily placed on hold by our clients as a result of COVID-19. Canadian revenues from appraisal and insurance inspection services both increased in the first and second quarters of fiscal 2020 versus the same quarters in fiscal 2019. In the third quarter of fiscal 2020, appraisal revenues were flat with the same quarter last year while insurance inspection revenues declined due to COVID-19. In the fourth quarter of fiscal 2020, appraisal revenues increased compared to the fourth quarter of fiscal 2019 and insurance inspection revenues were lower due to the temporary hold placed on these services as a result of COVID-19.

Net income (loss)

	Q4	Q3	Q2	Q1	Year-to-date period total	Total	
2021		\$	11,674	\$	7,089	\$	18,763
2020	\$ 12,728	\$ 6,285	\$ 18,652	\$ 5,133	\$ 23,785	\$ 42,798	
2019	\$ 7,951	\$ 4,434	\$ (6,750)	\$ 4,459	\$ (2,291)	\$ 10,094	
Change (2021-2020)		\$	(6,978)	\$	1,956	\$	(5,022)
Change (2020-2019)	\$ 4,777	\$ 1,851	\$ 25,402	\$ 674	\$ 26,076	\$ 32,704	

Net loss or income generally follows the rise and fall in revenues due to the seasonal and cyclical nature of our business. However, net income or loss is also impacted by changes in stock-based compensation expense, amortization, interest expense, interest income, net foreign exchange gains or losses and gains or losses on fair value of warrants, which are not tied to the seasonal and cyclical nature of our business and fluctuate with other non-operating variables. Net income tax expense or recovery also impacts net income or loss.

2021-2020

Net income in the first quarter of fiscal 2021 increased when compared to the first quarter of fiscal 2020 due to higher Adjusted EBITDA^(A) contributions from our U.S. Title and Canadian segments, while Adjusted EBITDA^(A) from our U.S. Appraisal segment was flat to the same quarter last year. Market share gains, net new client additions, higher market volumes in Canada and higher market volumes for refinance activity in the U.S., each contributed to the increase in Adjusted EBITDA^(A). The improvement to first quarter net income in fiscal 2021 compared to first quarter net income in fiscal 2020 was also attributable to higher gains recorded on the fair value of warrants due to a decline in our share price in the first quarter of fiscal 2021, offset by higher net foreign exchange losses due to the strength in the Canadian dollar compared to its U.S. counterpart. Income tax expense was lower in the first quarter of fiscal 2021 due to lower non-deductible expenses attributable to capital gains or losses from foreign currency exchange.

Net income in the second quarter of fiscal 2021 declined when compared to the second quarter of fiscal 2020 due to the decrease in net foreign exchange gains between periods. The net foreign exchange loss in the second quarter of fiscal 2021 and the comparable gain in the second quarter of fiscal 2020 were the result of changes in the FX rate between the Canadian and U.S. dollar. Lower foreign exchange gains were partially offset by higher Adjusted EBITDA^(A) contributions from our U.S. Title and Canadian segments,

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while contributions to Adjusted EBITDA^(A) from our U.S. Appraisal segment were lower due to softer comparative Net Revenue^(A) margins. Higher gains on the fair value of warrants resulting from a decline in our share price partially offset lower net foreign exchange gains between periods. Income tax expense was lower in the second quarter of fiscal 2021 on lower income before tax amounts.

2020-2019

Net income in the first quarter of fiscal 2020 increased when compared to the first quarter of fiscal 2019 due to higher Adjusted EBITDA^(A) contributions from all three operating segments. Market share gains, new client additions and higher market volumes across each segment contributed to the increase in Adjusted EBITDA^(A). Lower amortization expense also contributed to the increase in net income due to fully amortized intangibles attributable to acquisitions completed in previous years. We also recognized lower integration expenses in the first quarter of fiscal 2020 due to non-recurring costs incurred in the first quarter of fiscal 2019 which were attributable to the termination of a lease in connection with the integration of certain operations. Higher net foreign currency exchange losses due to changes in the FX rate between the Canadian and U.S. dollar and higher losses on the fair value of warrants due to the increase in our share price, partially offset the improvements to net income outlined above. Finally, we incurred higher income tax expense in the first quarter of fiscal 2020 due to higher income subject to tax which was partially offset by non-deductible capital gains or losses from foreign currency exchange.

Net income in the second quarter of fiscal 2020 increased when compared to the second quarter of fiscal 2019 due to higher Adjusted EBITDA^(A) contributions from all three operating segments. Market share gains, new client additions and higher market volumes across each segment contributed to the increase in Adjusted EBITDA^(A). Lower amortization expense also contributed to the increase due to fully amortized intangibles attributable to acquisitions completed in previous years. Higher net foreign currency exchange gains reflected changes in the FX rate between the Canadian and U.S. dollar and lower losses on the fair value of warrants resulting from changes in our share price also contributed to the improvement to net income. Finally, we incurred higher income tax expense in the second quarter of fiscal 2020 due to higher income subject to tax which was partially offset by non-deductible capital gains or losses from foreign currency exchange.

Net income in the third quarter of fiscal 2020 increased when compared to the third quarter of fiscal 2019 due to higher Adjusted EBITDA^(A) contributions from our U.S. Appraisal and U.S. Title segments. Market share gains, new client additions and higher market volumes contributed to the increase in Adjusted EBITDA^(A). Lower Adjusted EBITDA^(A) from our Canadian segment in the third quarter of fiscal 2020 was due to insurance inspection services being temporarily placed on hold by our clients as a result of COVID-19. The improvement to net income in the third quarter of fiscal 2020, was partially offset by higher amortization expense, higher net foreign exchange losses, higher losses on the fair value of warrants and higher income tax expense. Higher amortization expense was attributable to right-of-use assets capitalized in connection with our adoption of IFRS 16, while higher net foreign exchange losses were due to changes in the FX rate between the Canadian and U.S. dollar. Higher losses on the fair value of warrants were due to the increase in our share price and we incurred higher income tax expense in the third quarter of fiscal 2020 due to higher income subject to tax which was partially offset by non-deductible capital gains or losses from foreign currency exchange.

Net income in the fourth quarter of fiscal 2020 increased when compared to the fourth quarter of fiscal 2019 due to higher Adjusted EBITDA^(A) contributions from all three operating segments. Market share gains, new client additions and higher market volumes in Canada and higher market volumes for refinance activity (expressed before waivers and Veterans Affairs volumes for our U.S. Appraisal segment), in the U.S., each contributed to the increase in Adjusted EBITDA^(A). The improvement to net income in the fourth quarter of fiscal 2020 was accompanied by lower losses recorded on the fair value of warrants from warrants exercised in fiscal 2020. These contributors to higher comparative net income were partially offset by higher foreign currency exchange losses in the fourth quarter of fiscal 2020 due to changes in the FX rate between the Canadian and U.S. dollar and higher income tax expense due to higher income subject to tax which was partially offset by non-deductible capital gains or losses from foreign currency exchange.

Net income (loss) per weighted average share, basic and diluted 2021-2020

The change in net income or loss in the first and second quarters of fiscal 2021 compared to the same quarters in fiscal 2020 is detailed above. The comparative change in our diluted weighted average share count reflects stock option grants and forfeitures and shares purchased under our normal course issuer bid.

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2020-2019

The change in net income or loss in each quarter of fiscal 2020 compared to the comparative quarter in fiscal 2019 is detailed above. The comparative change in our diluted weighted average share count reflects stock option grants and forfeitures, the exercise of warrants in the first, third and fourth quarters of fiscal 2020 and shares purchased under our normal course issuer bid.

Financial Condition

Select Consolidated Statement of Financial Position (“Balance Sheet”) Information

	As at March 31, 2021			
	U.S.	Canada	Corporate	Total
Trade and other receivables	\$ 32,213	\$ 2,515	\$ -	\$ 34,728
Intangibles	\$ 7,063	\$ -	\$ -	\$ 7,063
Goodwill	\$ 60,477	\$ -	\$ -	\$ 60,477
Working capital position - (current assets less current liabilities)	\$ 111,839	\$ (1,773)	\$ 22,863	\$ 132,929
	As at September 30, 2020			
	U.S.	Canada	Corporate	Total
Trade and other receivables	\$ 29,171	\$ 1,490	\$ -	\$ 30,661
Intangibles	\$ 7,927	\$ -	\$ -	\$ 7,927
Goodwill	\$ 60,477	\$ -	\$ -	\$ 60,477
Working capital position - (current assets less current liabilities)	\$ 83,664	\$ (903)	\$ 51,467	\$ 134,228

Trade and other receivables – March 31, 2021 versus September 30, 2020

Change - Consolidated	\$ 4,067
Change - U.S.	\$ 3,042
Change - Canada	\$ 1,025
Change - Corporate	\$ -

The increase in volumes serviced by our U.S. Appraisal segment in the quarter, partially offset by lower diversified services supplied in our U.S. Title segment, were the primary contributors to the increase in U.S. trade and other receivables. The increase in Canadian trade and other receivables was due to the timing of receipt from one of this segment’s largest clients and higher volumes serviced in the quarter.

Intangibles – March 31, 2021 versus September 30, 2020

Change - Consolidated	\$ (864)
Change - U.S.	\$ (864)
Change - Canada	\$ -
Change - Corporate	\$ -

The decline in intangibles was due to normal course amortization recorded in our U.S. segments.

Goodwill – March 31, 2021 versus September 30, 2020

Change - Consolidated	\$ -
Change - U.S.	\$ -
Change - Canada	\$ -
Change - Corporate	\$ -

No change to goodwill between periods.

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Working capital position – March 31, 2021 versus September 30, 2020

Change - Consolidated	\$	(1,299)
Change - U.S.	\$	28,175
Change - Canada	\$	(870)
Change - Corporate	\$	(28,604)

Our consolidated working capital position declined on a comparative basis. Total current assets increased \$3.9 million on higher trade and other receivables of \$4.1 million, partially offset by lower prepaid expenses of \$0.2 million, while cash and cash equivalents were unchanged. The increase in trade and other receivables was due to a \$3.3 million increase in our U.S. Appraisal segment due to higher volumes serviced, a \$1.0 million increase in our Canadian segment from higher volumes serviced and the timing of payment from a significant client, partially offset by a \$0.3 million decline in trade and other receivables in our U.S. Title segment due to lower diversified services supplied. Total current liabilities increased by \$5.2 million, due to a \$3.2 million increase in trade payables, a \$2.9 million increase in income taxes payable, partially offset by a decline in accrued charges of \$1.3 million. The increase in trade payables was due to the increase in volumes serviced in our U.S. Appraisal segment, partially offset by the timing of payments in our U.S. Title segment. Canadian segment trade payables increased on higher volume serviced. The increase in income taxes payable reflects the strong operating performance of our U.S. and Canadian operations and the full use of loss carryforwards to shelter income subject to tax in the U.S. Income taxes payable increased as a result of a \$8.8 million provision for current income tax, partially offset by \$5.9 million of federal and state tax payments made in the first half of fiscal 2021. The decline in accrued charges was due in part to the timing of payroll tax payments attributable to certain employees' exercise of stock options, the payment of short-term incentives to Company executives and the timing of payroll for our U.S. operations.

The working capital position in our U.S. operations increased on a comparative basis. Net current assets increased \$33.0 million on higher cash and cash equivalents of \$29.8 million, higher trade receivables of \$3.0 million and higher prepaid expenses of \$0.2 million. The increase in cash and cash equivalents reflects strong Adjusted EBITDA^(A) in the first half of fiscal 2021, partially offset by the movement of cash between the U.S. and Canada. The increase in trade and other receivables was due to a \$3.3 million increase in our U.S. Appraisal segment due to higher volumes serviced, partially offset by a \$0.3 million decline in trade and other receivables in our U.S. Title segment due to lower diversified services supplied. The increase in prepaid expenses was due to the payment of computer related licenses. Current liabilities in our U.S. operations increased \$4.8 million, reflecting higher income taxes payable and higher trade payables. The \$2.8 million increase in income taxes payable reflects the strong performance of our U.S. operations and a current income tax provision of \$8.3 million that was partially offset by \$5.5 million of federal and state tax payments made in the first half of fiscal 2021. The \$1.7 million increase in trade payables was due to the increase in volumes serviced in our U.S. Appraisal segment, partially offset by the timing of payments in our U.S. Title segment. A modest \$0.3 million increase in lease liabilities, attributable to our U.S. Title segment, reflects the expansion of our operations into Dallas, Texas and Phoenix, Arizona.

The working capital position in our Canadian and Corporate segments declined on a comparative basis, with the most significant decline occurring in our Corporate segment. Net current assets were lower by \$29.1 million across both segments on lower cash and cash equivalents of \$29.8 million. The purchase of shares under our NCIB (defined below) totaling \$26.9 million was the primary contributor to the decline in cash and cash equivalents. Partially offsetting this decline was a \$1.0 million increase in trade and other receivables in our Canadian segment from higher volumes serviced and the timing of payment from a significant client. Current liabilities increased a modest \$0.4 million on higher trade payables of \$1.6 million, partially offset by lower accrued charges of \$1.3 million. Canadian segment trade payables increased due to higher volumes serviced and the decline in accrued charges was due in part to the timing of payroll tax payments attributable to certain employees' exercise of stock options and the payment of short-term incentive amounts to Company executives.

Disclosure of outstanding share capital

	March 31, 2021	
	Shares	\$
Common shares	83,737	258,103
Preferred shares	-	-
Total contributed equity	83,737	258,103

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	April 27, 2021	
	Shares	\$
Common shares	83,513	257,434
Preferred shares	-	-
Total contributed equity	83,513	257,434

Normal course issuer bid (“NCIB”)

Effective June 11, 2020, we received approval to renew our NCIB for a one year period expiring on June 10, 2021. Under this renewed NCIB, we received approval to purchase up to 4 million common shares. Daily purchases made through the Toronto Stock Exchange, or made through alternative Canadian trading systems, are limited to a maximum of 135,858 common shares.

We are permitted to purchase a block of common shares once a week which can exceed the daily purchase limit subject to certain conditions, including a limitation that the block cannot be owned by an insider. All shares purchased pursuant to the NCIB have been, or will be, cancelled.

For the six months ended March 31, 2021, 1.8 million (2020 – 1.6 million) common shares were purchased and cancelled at an aggregate cost of \$26.9 million (2020 - \$15.6 million).

As of April 27, 2021, 0.2 million additional common shares were purchased and cancelled or settled since March 31, 2021.

Warrants

At March 31, 2021, previously issued share purchase warrants (“warrants”) that remain outstanding and exercisable for common shares of the Company totaled 0.2 million (September 30, 2020 – 0.2 million). All outstanding warrants expire on May 11, 2022 and have an exercise price of one dollar and thirty-eight cents Canadian (C\$1.38).

Stock options

At March 31, 2021, stock options issued and outstanding totaled 5.4 million (September 30, 2020 – 5.1 million) and 3.9 million (September 30, 2020 – 3.6 million) were exercisable for common shares of the Company.

Liquidity and Capital Resources

Contractual obligations	March 31, 2021				
	Payments due				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Leases	\$ 8,056	\$ 1,970	\$ 3,223	\$ 2,175	\$ 688
Total contractual obligations	\$ 8,056	\$ 1,970	\$ 3,223	\$ 2,175	\$ 688

Long-term debt

Summarized details of our long-term debt facilities currently available as of March 31, 2021 are as follows:

	Available lending	Facility drawn	Available capacity ⁽¹⁾
Senior term facilities			
2016 facility	\$ 19,650	\$ -	\$ 19,650
2015 facility	\$ 10,200	\$ -	\$ 10,200
Revolving credit facility - expressed in C\$			
Revolving credit facility	\$ 15,000	\$ -	\$ 15,000

Note

⁽¹⁾ Available capacity is subject to senior funded debt to EBITDA and fixed charge coverage ratios, unfunded capital expenditures in respect of our senior term facilities, good quality receivables in respect of our revolving credit facility and satisfying other applicable conditions.

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Senior funded debt to EBITDA and fixed charge coverage ratios (as defined and calculated in accordance with the credit agreement)

	March 31, 2021	September 30, 2020
Senior funded debt to EBITDA	-	-
Senior funded debt to EBITDA - maximum	2.50	2.50
Fixed charge ratio ⁽¹⁾	n/a	-
Fixed charge ratio - minimum	1.20	1.20
Note		

⁽¹⁾ There are no scheduled principal or interest payments due between March 31, 2021 and April 30, 2021, being the maturity date of the facilities.

Long-term debt facilities

On April 30, 2020, we entered into a financing commitment with the Bank of Montreal and Bank of Montreal, Chicago Branch (the “commitment”) to align the maturity dates to April 30, 2021 for each commitment that was available under the first amendment to a second amended and restated term sheet amplification agreement (the “agreement”) and to make certain additional modifications. Effective April 30, 2020, we have available commitments of C\$15.0 million under a committed revolving credit facility, or its U.S. dollar equivalent, for working capital and general operating purposes and to support acquisition and permitted acquisition activity as defined in the commitment and two term loans for \$10.2 million and \$19.65 million, respectively, or their Canadian dollar equivalents, each available to support our working capital and general operating requirements and to support acquisition and permitted acquisition activity as defined in the commitment, each subject to satisfying certain conditions. Amounts drawn under the committed revolving credit facility and the \$10.2 million term loan bear fees of between 200 and 300 basis points over LIBOR or 75 to 175 basis points over Canadian prime or U.S. base rates of interest, determined based on the senior funded debt to EBITDA ratio as defined in the commitment. Amounts drawn under the \$19.65 million term loan bear fees of between 150 to 250 basis points over LIBOR or 25 to 125 basis points over Canadian prime or U.S. base rates of interest, determined based on the senior funded debt to EBITDA ratio as defined in the commitment. Undrawn amounts under the committed revolving credit facility and the \$10.2 million term loan are subject to a standby fee of 40 basis points regardless of our senior funded debt to EBITDA ratio as defined in the commitment. LIBOR is subject to a floor of 1.0% and the commitment includes a limitation on advances under the facilities for the purpose of funding costs and expenses reasonably anticipated and incurred in the normal course of business. All other terms between the commitment and the agreement remain unchanged.

Repayments on the revolver are interest only until the date of maturity, April 30, 2021. Total advances under the revolver cannot exceed 75% of our trade receivables, excluding trade receivables that are past due by 60 days or greater, and up to 120 days or greater in certain circumstances, subject to certain adjustments (“good quality receivables”). The revolver can be drawn in either Canadian or U.S. funds, subject to Canadian prime or U.S. base rates of interest, bankers’ acceptances or letters of credit. The term loans amortize at a rate of 2% quarterly over a one-year period with the remaining unamortized balance due at maturity, being April 30, 2021. The term loans can consist of: (i) Canadian or U.S. prime rate advances, subject to interest at the Canadian prime or U.S. base lending rate, respectively, plus the applicable credit spread; (ii) a LIBOR loan, bearing interest at LIBOR plus the applicable credit spread; or (iii) Canadian bankers’ acceptances (“BAs”), bearing interest at BAs plus the applicable credit spread. The term loans are subject to mandatory prepayment conditions, including: (a) 50% of the excess annual cash flow if the senior funded debt to EBITDA ratio is greater than 2.5:1.0; (b) 100% of the proceeds from equity or debt securities issued by the Company, including any sale or disposition of assets that is not in the ordinary course and that aren’t reinvested within 180 days; and (c) proceeds from insurance claims not otherwise reinvested within 180 days from receipt.

Included in the long-term debt facility is a treasury risk management facility of up to C\$0.5 million to facilitate hedges of foreign currency exchange risk between the Canadian and U.S. dollar occurring in the normal course of business. This facility may be used to facilitate the use of foreign currency exchange contracts for up to one year which bears a per transaction fee determined by the lenders’ treasury department. In addition, the long-term debt facility provides for a corporate credit card facility of up to C\$0.8 million to assist with the management of corporate expenses.

The long-term debt facility is secured by a general security agreement, which provides the lender with a first, fixed and floating charge over certain assets, including intellectual property, an unlimited guarantee and postponement of claim by certain wholly owned subsidiaries, and certain other securities.

We do not intend to renew the long-term debt facilities upon their maturity on April 30, 2021.

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Risks and restrictions

Our revolving and senior term facilities are subject to interest rate fluctuations with bank prime, BAs or LIBOR. All drawings, if any, are subject to interest rate risk. Since we currently have no amounts drawn on our revolving or senior term facilities, a rise or fall in the variable interest rate does not impact interest expense recorded to the statements of operations and comprehensive income or loss.

We are obligated under the terms of our long-term debt facilities to repay all amounts outstanding, if any, at maturity. In addition, a failure to comply with the terms of the long-term debt facilities could result in an event of default, which, if not cured or waived, could accelerate repayment of the underlying indebtedness in advance of the maturity date. If repayment of the facility were to be accelerated, when amounts are outstanding, there can be no assurance that our assets would be sufficient to repay these facilities in full at that time.

Cash flows

	Three months ended March 31			Six months ended March 31		
	2021	2020	Change	2021	2020	Change
Cash flows generated from (utilized in):						
Operating activities	\$ 18,348	\$ 23,455	\$(5,107)	\$ 25,644	\$ 37,716	\$(12,072)
Investing activities	\$ (442)	\$ (741)	\$ 299	\$ (2,745)	\$ (1,178)	\$(1,567)
Financing activities	\$ (8,004)	\$ (9,969)	\$ 1,965	\$ (25,497)	\$ (15,595)	\$(9,902)

Three months ended

Operating activities

As detailed in the “Review of Operations - For the three and six months ended March 31, 2021” section of this MD&A, Adjusted EBITDA^(A) in the second quarter of fiscal 2021 was \$4.4 million higher than the second quarter of fiscal 2020 and delivered a corresponding increase to cash generated from operating activities. This increase was offset by lower sources of cash from non-cash working capital of \$2.1 million and higher income taxes paid of \$1.9 million. Lower sources of cash from non-cash working capital reflects a lower comparative increase in trade payables of \$3.4 million partially offset by a lower comparative increase in trade and other receivables of \$1.1 million. The timing of payments and lower diversified services supplied was the primary contributor to the lower comparative increase in trade payables and strong collections in the second quarter of fiscal 2021 contributed to the lower comparative increase in trade and other receivables. Higher income taxes paid was the result of a strong operating quarter and the full use of loss carryforwards in our U.S. operations. The effect of foreign currency translation adjustments represents the balance of the change year-over-year.

Investing activities

Cash utilized in investing activities declined on a comparative basis as a result of lower investments in computer equipment.

Financing activities

Cash utilized in financing activities declined on a comparative basis. The purchase of shares under our NCIB declined \$1.8 million compared to the same quarter last year, while proceeds from the exercise of stock options increased \$0.1 million.

Six months ended

Operating activities

As detailed in the “Review of Operations - For the three and six months ended March 31, 2021” section of this MD&A, Adjusted EBITDA^(A) in the first half of fiscal 2021 was \$7.3 million higher than the first half of fiscal 2020 and delivered a corresponding increase to cash generated from operating activities. This increase was offset by lower sources of cash from non-cash working capital of \$7.5 million and higher income taxes paid of \$5.0 million. Lower sources of cash from non-cash working capital was due in part to a lower comparative increase in accrued charges of \$1.6 million and a higher comparative increase in trade and other receivables of \$5.5 million. Strong operating performances across each of our segments was the primary contributor to the comparative increase in trade and other receivables, while the comparative change in accrued charges was due to the timing of payroll tax payments attributable to certain employees’ exercise of stock options in the current year. The effect of foreign currency translation adjustments represents the balance of the change year-over-year.

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Investing activities

Cash utilized in investing activities increased on a comparative basis as a result of higher investments in property and equipment for right-of-use assets and computer equipment in our U.S. Title segment to expand our operations footprint to Dallas, Texas and Phoenix, Arizona.

Financing activities

Cash utilized in financing activities increased on a comparative basis. The purchase of shares under our NCIB increased \$11.3 million compared to the first half of fiscal 2020 and proceeds from the exercise of stock options declined \$0.6 million. These higher uses of cash were partially offset by higher proceeds received from lease liabilities which were attributable to the expansion of our U.S. Title operations to Dallas, Texas and Phoenix, Arizona, and lower dividends paid to non-controlling interests due to lower levels of activity.

Foreign Currency Exchange Rates

Although our functional currency is the Canadian dollar, we have elected to report our financial results in U.S. dollars to improve the comparability of our financial results with our peers. Reporting our results in U.S. dollars also reduces the impact foreign currency exchange fluctuations have on our reported amounts because our complement of assets and operations are larger in the U.S. than they are in Canada.

Our consolidated financial position and operating results have been translated to U.S. dollars applying FX rates outlined in the table below. FX rates are expressed as the amount of U.S. dollars required to purchase one Canadian dollar and represents the daily average rate published by the Bank of Canada.

	Fiscal 2021			Fiscal 2020		
	Condensed Consolidated Balance Sheet	Condensed Consolidated Statement of Operations and Comprehensive Income or loss		Condensed Consolidated Balance Sheet	Condensed Consolidated Statement of Operations and Comprehensive Income or loss	
	Current	Average	Cumulative Average	Current	Average	Cumulative Average
December 31	\$ 0.7854	\$ 0.7675	\$ 0.7675	\$ 0.7699	\$ 0.7576	\$ 0.7576
March 31	\$ 0.7952	\$ 0.7895	\$ 0.7783	\$ 0.7049	\$ 0.7439	\$ 0.7507

FX Impact on Consolidated Results

The following tables have been prepared to assist readers in assessing the FX impact on select operating results for the three and six months ended March 31, 2021.

	Three months ended March 31			
	2020	2021	2021	2021
	(as reported)	(as reported)	(FX impact)	(current period amounts applying prior period FX rate)
Condensed Consolidated Statement of Operations				
Revenues	\$ 109,643	\$ 128,828	\$ 687	\$ 128,141
Transaction costs	\$ 73,703	\$ 82,170	\$ 587	\$ 81,583
Operating expenses	\$ 21,977	\$ 28,206	\$ 323	\$ 27,883
Net income	\$ 18,652	\$ 11,674	\$ (386)	\$ 12,060
Net Revenue^(A)	\$ 35,940	\$ 46,658	\$ 100	\$ 46,558
Adjusted EBITDA^(A)	\$ 14,607	\$ 19,013	\$ (183)	\$ 19,196
Adjusted Net Income^(A)	\$ 11,045	\$ 13,111	\$ (242)	\$ 13,353

Note: ^(A) – Please refer to the “Non-GAAP measures” section of this MD&A

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	Six months ended March 31			
	2020	2021	2021	2021
	(as reported)	(as reported)	(FX impact)	(current year amounts applying prior period FX rate)
Condensed Consolidated Statement of Operations				
Revenues	\$ 213,424	\$ 249,126	\$ 826	\$ 248,300
Transaction costs	\$ 142,214	\$ 158,442	\$ 705	\$ 157,737
Operating expenses	\$ 43,532	\$ 55,715	\$ 395	\$ 55,320
Net income	\$ 23,785	\$ 18,763	\$ (494)	\$ 19,257
Net Revenue^(A)	\$ 71,210	\$ 90,684	\$ 121	\$ 90,563
Adjusted EBITDA^(A)	\$ 29,155	\$ 36,431	\$ (222)	\$ 36,653
Adjusted Net Income^(A)	\$ 20,277	\$ 25,065	\$ (292)	\$ 25,357

Note: ^(A) – Please refer to the “Non-GAAP measures” section of this MD&A

Critical Accounting Estimates

General

We use information from our financial statements, prepared in accordance with IFRS and expressed in U.S. dollars, to prepare our MD&A. Our financial statements include estimates and judgments that affect the reported amount of our assets, liabilities, revenues, expenses and, where and as applicable, disclosures of contingent assets and liabilities. On a periodic basis, we evaluate our estimates, including those that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. Areas that are subject to judgment and estimate include revenue recognition, impairment of goodwill and non-financial assets, the determination of fair values in connection with business combinations, the determination of fair value for warrants and financial instruments, lease terms, estimation of incremental borrowing rates to determine the carrying amount of right-of-use assets and lease liabilities and the likelihood of realizing deferred income tax assets. Our estimates and judgments are based on historical experience, our observation of trends, and information, valuations and other assumptions that we believe are reasonable when making an estimate of an asset or liability’s fair value. Due to the inherent complexity, judgment and uncertainty in estimating fair value, actual amounts could differ significantly from these estimates.

Areas requiring the most significant estimate and judgment are outlined below.

Revenue recognition

The satisfaction of performance obligations requires us to make judgments when control of the underlying good or service transfers to the customer. Determining when a performance obligation is satisfied affects the timing of revenue recognition. We consider indicators of the transfer of control, including when the customer is obligated to pay and whether the transfer of significant risks and rewards has occurred, which represents the time when the customer has acquired the ability to direct and use the good or service and obtained substantially all of the benefits.

We use judgment in our assessment of whether we are acting as an agent or principal to a transaction. When we are not primarily responsible for fulfilling the obligation to provide a specified good or service and do not have discretion to establish price, we are acting as an agent to the transaction. We are acting as a principal when we control the deliverables prior to delivery to the customer and establish pricing.

Goodwill

Goodwill is not amortized and is tested annually for impairment or more frequently if an event or circumstance occurs that more likely than not reduces the fair value of a cash generating unit (“CGU”), or group of CGUs, below its carrying amount. Examples of such events or circumstances include: a significant adverse change in the technological, market, economic or legal environment in which an entity operates; changes in market interest rates or other market rates of return on investments that are likely to affect the discount rate used in calculating an assets value in use; the carrying amount of an entities’ net assets is more than its market capitalization; evidence of physical damage to the asset or obsolescence is present; significant changes to an asset’s expected use; or, performance expectations for the asset are worse than expected. Goodwill is not tested for impairment when the assets and

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liabilities that make up the CGU unit have not changed significantly since the most recent fair value determination, the most recent fair value determination results in an amount that exceeded the carrying amount by a substantial margin, and based on an analysis of events that have occurred and circumstances that have changed since the most recent fair value determination, the likelihood that a current fair value determination would be less than the current carrying amount of the CGU is remote. The amount of goodwill assigned to each CGU and methodology employed to make such assignments has been applied on a consistent basis. For the purpose of testing goodwill for impairment, our CGU's align with our operating segments since this is consistent with the level at which goodwill is monitored.

The carrying value of a CGU or group of CGUs is compared to its recoverable amount, where the recoverable amount is the higher of fair value less cost to sell and its value in use. The value in use for a CGU or group of CGUs is determined by discounting three-year cash flow projections from financial forecasts prepared by management. Projections reflect past experience and future expectations of operating performance and we apply perpetuity growth rates to cash flows in the terminal year. None of the perpetuity growth rates exceed the long-term historical growth rates for the markets in which we operate. The discount rate applied to the cash flow projections are derived from the weighted average cost of capital of comparable publicly traded companies. To determine fair value, for the purpose of estimating fair value less cost to sell, we apply various trading multiples of comparable public companies and merger and acquisition transactions for like or similar businesses to our last twelve months performance, and expected performance in the subsequent year, for our U.S. Appraisal and U.S. Title segments.

We monitor both economic and financial conditions and we re-perform our goodwill test for impairment as conditions dictate.

Business combinations

Applying the acquisition method to business combinations requires us to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recorded to goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and our fair value estimates for the assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired or to determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

We make estimates, assumptions and judgments when valuing goodwill and intangible assets in connection with the initial purchase price allocation of an acquired entity, and our continuing evaluation of the recoverability of goodwill and intangible assets. These estimates are based on a number of factors, including historical experience, market conditions, information gained on our review of the target entities' operations and information obtained from management of the acquired companies. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, discount rates, anticipated revenue growth from acquired customers, acquired technology and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense.

Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates and our actual results.

Warrants

We use the Black-Scholes-Merton option pricing model to estimate the fair value of warrant liabilities, which requires the use of several input variables. These input variables are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities. The fair value reported may not represent the transaction value of these warrants on the date of exchange.

Leases

Lease terms represent the contractual non-cancellable period for a lease, plus all periods covered by an option to renew the lease if we are reasonably certain to exercise that option and the periods covered by an option to terminate the lease if we are reasonably certain to not exercise that option. We apply judgment in assessing all factors that create an economic incentive to exercise extension options, or to not exercise termination options, which are available in our lease arrangements. We review our initial assessment if a significant event or change in circumstances occurs which affects our initial assessment and is within our control.

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To determine the carrying amount of right-of-use assets and lease liabilities, we estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determinable. We determine the incremental borrowing rate attributable to each leased asset, or portfolio of leased assets, by assessing our creditworthiness, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rate is subject to change mainly as a result of macroeconomic changes.

Income taxes

Deferred income tax is recognized applying the liability method, which recognizes the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their equivalent tax amounts. Deferred income tax is not recognized on the initial recording of assets or liabilities for financial reporting purposes that is not a business combination and that affects neither accounting income nor taxable income or loss. Deferred income tax assets and liabilities are measured applying tax rates expected to be in effect when the temporary differences reverse, applying tax rates that have been enacted or substantively enacted at the reporting date.

Significant changes to enacted tax rates or laws, or estimates of timing differences and their reversal, could result in a material adverse or positive impact to our financial condition and operating performance. In addition, changes in regulation or insufficient taxable income could impact our ability to utilize tax loss carryforwards, which could impact deferred income tax assets and deferred income tax expense or recovery.

The recognition of deferred tax assets attributable to unutilized loss carryforwards is supported by our historical and expected future ability to generate income subject to tax and our ability to implement tax planning measures along with other substantive evidence. However, should we be unable to continue generating income subject to tax, deferred tax assets attributable to unutilized loss carryforwards may not be available to us prior to their expiry in Canada. We have historically used, and will continue to use, every effort to limit the use of discretionary tax deductions to maximize our use of loss carryforwards in Canada prior to their expiry. As a result of U.S. tax reform, unutilized loss carryforwards arising after December 31, 2017 can be carried forward indefinitely; however, the deduction of unutilized loss carryforwards in a given tax year is limited to 80% of an entity's taxable earnings in that year. Should we not be able to realize our deferred tax assets attributable to loss carryforwards, we would record deferred income tax expense in the period when we determined the likelihood of realizing these losses was less likely than not. Our maximum exposure is equal to the carrying amount of the deferred tax asset attributable to loss carryforwards, \$0.9 million at March 31, 2021. Accordingly, due to our historical ability to generate income subject to tax, our expectations to generate income subject to the tax in the future and available tax planning measures, we view the risk of not realizing these deferred tax assets as low.

Other

Other estimates include, but are not limited to, the following: identification of CGUs, impairment assessments for non-financial assets, inputs to the Black-Scholes-Merton option pricing model used to value stock-based compensation, estimates of property and equipment's useful life, assessing provisions, estimating the likelihood of collection to determine our allowance for doubtful accounts, the fair value of financial instruments, control assessment of subsidiaries, contingencies related to litigation and contingent acquisition payables, claims and assessments and various economic assumptions used in the development of fair value estimates, including, but not limited to, interest and inflation rates and a variety of option pricing model estimates.

New Accounting Policies Adopted or Requiring Adoption

Business Combinations

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)" to address the difficulties that arise when an entity determines whether it has acquired a business or group of assets. The amendment clarified that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the creation of outputs. The definition of a business and outputs have been narrowed to focus on goods and services provided to customers and removes the reference to cost reductions. The amendments were effective for annual periods beginning on or after January 1, 2020 and earlier application was permitted. The adoption of the amendment had no impact on our financial statements.

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Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued “Definition of Material (Amendments to IAS 1 and IAS 8)” which clarified the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments were effective for annual reporting periods beginning on or after January 1, 2020 and earlier application was permitted. The adoption of this new definition of material had no impact on our financial statements.

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued “Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)” which provided a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendment clarified that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Only rights to defer settlement by at least twelve months which are in place at the end of the reporting period should affect the classification of a liability. Classification is unaffected by an entities’ expectation to exercise its right to defer settlement of a liability. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2023. We will apply the amendment to the classification of liabilities on October 1, 2023, and adopting this amendment is not expected to have a significant impact on our financial statements.

Narrow-scope amendments and Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued a series of narrow-scope amendments that impact the following standards: IAS 16 – “Property, Plant and Equipment – Proceeds before Intended Use” (“IAS 16”), IAS 37 – “Onerous Contracts – Costs of Fulfilling a Contract” (“IAS 37”), IFRS 3 – “Reference to the Conceptual Framework” (“IFRS 3”), and annual improvements to IFRS 1, IFRS 9, IFRS 16, and IAS 41.

The amendment to IAS 37 clarified the meaning of “costs to fulfil a contract” which could result in the recognition of more onerous contract provisions. IFRS 3 was updated to refer to the 2018 Conceptual Framework for Financial Reporting when determining what constitutes an asset or a liability in a business combination. Without this new update, an entity may have recognized certain liabilities in a business combination that it would not recognize under IAS 37. IAS 16 and the annual improvements are not applicable.

These amendments are effective January 1, 2022 and earlier application is permitted. We will apply the amendments on October 1, 2022, and adopting these amendments is not expected to have a significant impact on our financial statements.

Narrow-scope amendments to IAS 1 and IAS 8

In February 2021, the IASB amended IAS 1 – “Presentation of Financial Statements” which requires companies to disclose information attributable to material accounting policies rather than focusing on significant accounting policies. The amendment clarifies that accounting policy information is material, if its absence inhibits a financial statements user’s ability to understand other material information in the financial statements.

Additionally, the IASB amended IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” which aims to improve accounting policy disclosures and help entities distinguish between changes in accounting policies, which are generally applied retrospectively to both historical, current and future transactions, and estimates, which are applied prospectively to future transactions.

These amendments are effective January 1, 2023 and earlier application is permitted. We will apply the amendments on October 1, 2023, and adopting these amendments is not expected to have a significant impact on our financial statements.

Financial Instruments

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Our exposure to credit risk is limited principally to cash and cash equivalents and trade and other receivables. In all instances, our risk management objective, whether of credit, liquidity, market or otherwise, is to mitigate our risk exposures to a level consistent with our risk tolerance.

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Cash and cash equivalents

Certain management are responsible for determining which financial institutions we bank and hold deposits with. We typically select financial institutions that we have a relationship with and those deemed by us to be of sufficient size, liquidity and stability. We review our exposure to credit risk from time-to-time or as conditions indicate that our exposure to credit risk has or is subject to change. Our maximum exposure to credit risk is equal to the fair value of cash and cash equivalents recorded on our unaudited condensed consolidated statements of financial position as at March 31, 2021, \$129.2 million (September 30, 2020 - \$129.2 million). We hold no collateral or other credit enhancements as security over our cash or cash equivalent balances and we deem the credit quality of our cash and cash equivalent balances to be high and no amounts are impaired.

Trade and other receivables

In the normal course of business, our trade and other receivables balance is subject to credit risk. Our maximum exposure to credit risk is the fair value of trade and other receivables recorded on our unaudited condensed consolidated statements of financial position as at March 31, 2021, \$34.7 million (September 30, 2020 - \$30.7 million). We regularly perform credit checks or may accept payment or security in advance to limit our exposure to credit risk. Our client base is sufficiently diverse, consisting of banks and mortgage lending institutions that are generally of sufficient size and capitalization, to mitigate a portion of any credit risk exposure we may be subject to. We have also assigned various employees to carry out collection efforts in a manner consistent with our trade receivable and credit and collections policies. These policies establish procedures to manage, monitor, control, investigate, record and improve trade receivable credit and collection. We also have policies and procedures which establish estimates for doubtful account allowances. These calculations are based on an expected credit loss ("ECL") model which considers expected losses that result from all possible default events over the expected life of our trade and other receivable balances and include factors such as past events, current conditions and forecasts of future economic conditions. We conduct specific account balance reviews, where practical, and consideration is given to the credit quality of the client, payment history and other factors specific to the client, including bankruptcy or insolvency.

Trade and other receivables determined by management to be at risk of collection are provided for through an allowance account. When trade or other receivables are considered uncollectable, they are written-off against this account. Subsequent recoveries of amounts previously written-off are credited against the allowance account and subsequently recorded to operating expenses in our unaudited condensed consolidated statements of operations and comprehensive income or loss. We have elected to measure loss allowances for trade and other receivables at an amount equal to estimated lifetime ECLs through the use of a provision matrix based on historical credit loss experience adjusted for estimated changes in credit risk and forecasts of future economic conditions.

Trade and other receivables are generally due within 15 to 45 days from the invoice date. Accordingly, all amounts outstanding beyond these periods are past due. Based on historical collections, we have been successful in collecting amounts that have not been outstanding for greater than 90 days. We assess the credit quality of trade and other receivables that are neither past due nor impaired as high. Our maximum exposure to credit risk is equivalent to our net carrying amount. Trade and other receivables considered impaired at March 31, 2021 were not considered significant.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting our obligations to settle our financial liabilities. Our exposure to liquidity risk is due primarily to any reliance we may have on long-term debt financing. Certain management are responsible to ensure that we have sufficient short, medium and long-term liquidity. When amounts are drawn on our long-term credit facilities, we manage liquidity risk on a continuous basis by monitoring actual and forecasted cash flows and monitoring our available liquidity. We regularly monitor the financial terms and conditions outlined in our lending facilities and report on our compliance quarterly to the audit committee and our lender. We actively manage our liquidity and we are in regular contact with our lender.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in FX rates. Our exposure to currency risk is attributable to the exchange of U.S. monies to the Canadian dollar or vice versa. We may enter into FX agreements to mitigate our exposure to currency risk; however, as of the date of this MD&A, we are not party to any FX agreements. Accordingly, we are exposed to currency risk on U.S. dollars charged to our U.S. operations in the form of management fees, royalties and interest on long-term financings. To mitigate this risk, management uses discretion, and actively reviews its exposure to and requirement for FX agreements.

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Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from our interest bearing financial assets and liabilities. We have certain financial assets and liabilities which are exposed to interest rate risk, the most notable of which are our long-term debt facilities when drawn. Our long-term credit facilities are also subject to interest rate risk on maturity or renegotiation. An increase or decrease in the variable interest rate results in a corresponding increase or decrease to interest expense on principal amounts drawn under our long-term credit facilities. We are also subject to interest rate risk on investments we make in cash equivalent, short-term investments.

Our risk management objective is to mitigate risk exposures to a level consistent with our risk tolerance. Derivative financial instruments are evaluated against the exposures they are expected to mitigate and the selection of a derivative financial instrument may not increase our net exposure to risk. Derivative financial instruments may expose us to other types of risk, which may include, but is not limited to, credit risk. The exposure to other types of risk is evaluated against the selected derivative financial instrument and is subject to a cost versus benefit review and analysis. We do not use derivative financial instruments for speculative or trading purposes and the value of the derivative financial instrument cannot exceed the risk exposure of the underlying asset, liability or cash flow it is expected to mitigate.

Fair value methods and assumptions

The fair values of financial instruments, warrant liabilities and when applicable, contingent consideration, are calculated using available market information and commonly accepted valuation methods, or expectations of achievement in the case of contingent consideration discounted at a market rate of interest. Considerable judgment is required to develop these estimates. Accordingly, fair value estimates are not necessarily indicative of the amounts we, or counter-parties to the instruments, could realize in a current market exchange, or expect to pay, in the case of contingent consideration. The use of different assumptions and or estimation methods could have a material impact on these fair values.

Financial assets and liabilities recorded at fair value, as and where applicable, are recorded to our unaudited condensed consolidated statements of financial position.

Financial Information Controls and Procedures

Internal control over financial reporting

There have been no changes during the three months ended March 31, 2021 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Impact of COVID-19

Operations

To date, our operations have not experienced any significant adverse impacts as a result of COVID-19. In fact, with interest rates at historical lows, homeowner demand to refinance their mortgages in the U.S. is high as a significant number of U.S. homeowners stand to benefit from a 50 to 75 basis point reduction in interest rates compared to the rate borne on their current mortgage. We have also seen a shift away from home equity and default services since the onset of COVID-19. We believe that home equity and default activity will remain low in the near term and that purchase market activity will return to more normalized levels longer-term, which will benefit our U.S. Appraisal segment since it services both purchase and refinance mortgage origination transactions. Notwithstanding, we continue to monitor U.S. mortgage lenders near-term capacity to underwrite mortgages and the impact interest rates have on mortgage origination volumes for refinance activity.

The strength and depth of our networks of field professionals has allowed us to find a qualified field professional for the transactions we have received from our clients. COVID-19 has temporarily placed into focus the need to take additional precautions to allow appraisals and closings to continue without interruption. In March 2020, the Federal Housing Financing Agency (“FHFA”) directed the GSEs to relax certain property appraisal and income verification standards in light of COVID-19, which has increased the GSEs use of appraisal waivers, predominantly for refinance mortgage originations, and to allow licensed appraisers to complete either a drive-by or desktop appraisal in certain circumstances when an interior inspection was not feasible. These temporary measures were put in place to ensure that the mortgage process was unencumbered and are set to expire on May 31, 2021. As a result of these changes, we engaged in active discussions with our clients to ensure that we could meet their changing needs, uninterrupted. To date we have not experienced a significant change in the Net Revenue^(A) we earn on each transaction and the majority of our orders continue to be full interior appraisals, which is consistent with the services we provided prior to the COVID-19 pandemic.

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In our U.S. Title segment, our services include searching the title and recording the mortgage at the county courthouse. Temporary closures of some county courthouses in the U.S. due to COVID-19 created challenges to search the title and complete recordings in those counties. The temporary closure of county courthouses was limited and did not have a significant impact on our ability to search and record mortgages for the vast majority of the orders we received. In the event we could not search the title due to a temporary office closure, we could not complete the transaction for our client and we made them aware in advance. With respect to recordings, our underwriters acknowledged that gap insurance covered the risk of any intervening liens that may have arisen between the time of closing and the time the closing documents were ultimately recorded at the county courthouse. Accordingly, this allowed us to continue providing title and closing services to our clients.

In our Canadian operating segment, certain of our insurance inspection clients placed these services on hold at the end of our fiscal 2020 second quarter, throughout our fiscal 2020 third quarter, for a portion of our fiscal 2020 fourth quarter and a portion of the second quarter of fiscal 2021, as a result of COVID-19. Certain employees dedicated to the supply of insurance inspection services in Canada were trained to provide certain permitted services to clients in our U.S. Title operations.

In the near term, we do not anticipate that COVID-19 will have a significant impact on our operating costs in our corporate segment.

Supply of services

The health and safety of our employees, clients, field professionals and the communities we service remains a top priority. To that end, we have integrated social distancing into our daily routines in recognition of the significant impact COVID-19 has had on our clients and the field professionals on our network. Despite these challenging times, the field professionals on our networks continue to deliver their unwavering support as an essential service provider, and consistently go above and beyond for our clients. With their continued commitment, tens of thousands of homeowners have moved into their new homes, accessed equity in their existing homes or lowered their monthly mortgage payments at a time when they likely needed it the most.

Although some homeowners and field professionals have not been comfortable proceeding with an in-person appraisal inspection or mortgage closing, the vast majority of transactions are still being completed, using social distancing techniques to prevent or eliminate physical contact. To date, we have not seen any material change in our appraiser or closing agent capacity.

Since the announcement by the GSEs to allow both drive-by and desktop appraisals in certain circumstances, we have worked closely with our clients to operationalize a solution. To this end, we fully deployed appraisal products that do not require in-person interaction for our clients who chose to adopt these temporary measures for some of their files. And we continue to support our closing agents by being strong advocates of safe space closing principles founded in the minimum guidelines provided by the National Notary Association. We are proactively engaging with our notary and closing agent network to deliver a “Safe Space Closing” on every transaction to protect the safety of our network and our clients’ customers.

While the manner in which our field professionals undertake the delivery of service for our clients has changed, and may be subject to further change as a result of COVID-19, we do not believe that any resulting changes will be significant to the essential services we provide for our clients.

Employees

We have mandated, where possible, that our employees work from home. Currently, we have over 90% of our employees working remotely, and only those that are in facility-dependent roles, where their work cannot be completed from home, remain in our offices. To date, our remote operations have not adversely impacted our ability to provide services to our clients nor have we experienced any significant change in our employee’s ability to access our systems. In addition, we have succession and continuity plans in place for certain key employees which were reviewed and updated, where appropriate, during the third quarter of fiscal 2020 and will be revisited again during the third quarter of fiscal 2021.

Supply chain

We proactively identified the additional redundancy required in our supply chain and we have actively added vendors to strengthen redundancy where needed. To date, our supply chain has not had a material adverse impact on our operations and the delivery of our services. Like many businesses, early on we experienced limited reductions in productivity across our supply chain, but nothing that had a significant adverse impact on the delivery of our services.

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Financial condition

Our Company is built for the long-run, which includes maintaining a strong balance sheet to weather the cyclical and seasonal nature of the industry we operate in, and to weather financial shocks and crises like the one COVID-19 is having on the world and the world economy. On March 31, 2021, we had \$129.2 million of cash and cash equivalents on our balance sheet. We provide services to the financial services sector, which was deemed by the U.S. Department of Homeland Security (Cybersecurity and Infrastructure Security Agency), as well as state and provincial governmental orders, to be an essential service. As such, to date COVID-19 has not had a significant adverse impact on our financial condition. However, we continue to monitor our cash positions daily, including cash inflows and outflows and make adjustments as and where necessary to manage our cash resources.

Our current assets are principally comprised of cash and cash equivalents and trade and other receivables. Our primary risk attributable to current assets is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. As a result, we undertook a fulsome review of amounts due to us from our creditors, which includes, amongst other things, consideration of factors that include past events, current conditions and forecasts of future economic conditions. As a result of this review and our continuing review, we continue to conclude that no material change to our accounting provisions for doubtful accounts are warranted. However, and while the strength of our business has remained strong since the onset of the COVID-19 outbreak, a sustained economic downturn could result in significant financial hardship for a handful of clients we service – especially those with significant servicing portfolios - many of whom are privately organized entities along with certain clients we supply diversified title services to. Accordingly, we continue to remain vigilant in our collection efforts, monitoring for signs of financial or business weakness, and continue to have regular touch points with our clients in support of our assessment.

Our long-term assets are principally comprised of intangibles, goodwill, property and equipment and deferred tax assets. In accordance with IFRS, we are required to assess the carrying value of property and equipment and intangibles at each reporting period to determine if indicators of impairment are present. Based on our current business expectations and ability to continue generating future cash flows applying a variety of scenarios, we do not anticipate a decline in these cash flows that would result in the carrying amount of any asset or cash generating unit exceeding its recoverable amount.

Our annual goodwill test of impairment was completed on June 30, 2020. For the reasons outlined above, including the resilience of our business to date and our share price and market capitalization since the onset of COVID-19, we concluded that there is no impairment of goodwill.

Deferred income tax assets are recognized when it is probable that future taxable income will be available to realize the benefit of the deferred tax asset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized and can only be recovered when the probability of future taxable income improves. Based on the performance of our business to date, the utilization in fiscal 2020 of all loss carryforwards available in our U.S. operating subsidiaries and our expectations of future taxable income, we continue to believe that it is probable that we can realize the benefits attributable to deferred income assets recorded on our balance sheet, and therefore no reduction to deferred income tax assets is warranted at this time.

The strength of our balance sheet allows us to be opportunistic with regards to the purchase of our shares under the NCIB and we see continued strength in our financial condition in the near and longer-term time horizons.

Capital and financial resources

We have no amounts drawn under the credit facilities available to us today, and at March 31, 2021 our senior funded debt to EBITDA ratio was 0.00 times. Accordingly, we have no immediate concerns regarding our ability to service our financial obligations, including obligations under lease commitments for office space. To date, COVID-19 has not had any significant impact on our overall liquidity position and because we provide services to the majority of the largest mortgage lenders in the U.S. and Canada, we have not seen any significant changes in their ability to make payments to us. However, we continue to be vigilant in our collection efforts and have regular touch points with the clients we service, paying particular attention to our clients who account for a larger proportion of our revenues and the few non-bank clients we provide service to that have significant servicing portfolios.

Internal controls

Our operations have remained largely unchanged as a result of COVID-19, even with the vast majority of our employees working from home. Our financial reporting systems, internal control over financial reporting and disclosure controls and procedures remain

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largely unchanged as well. Accordingly, we have not experienced a significant change in our control environment that would have a material impact on our internal controls over financial reporting.

Business continuity plans

Our business continuity plans were rolled out without significant issue and the vast majority of our employees have been mobilized to work-at-home environments. In the second quarter of fiscal 2020, we made additional capital investments in certain computer and related equipment, most notably for employees servicing our U.S. Title operations, to ensure that as many of our employees as possible were able to work from home. We do not anticipate any further capital investments to be significant in this regard, and we view the capital outlay as an acceleration of our business continuity plans to allow our employees to transition to a work-at-home environment. We have not experienced any material resource constraints in connection with the implementation of these plans.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities laws. Words such as “aim”, “could”, “forecast”, “target”, “may”, “might”, “will”, “would”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “seek”, “believe”, “predict” and “likely”, and variations of such words and similar expressions are intended to identify such forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes statements which reflect the current expectations of the Company’s management with respect to the Company’s business and the industry in which it operates and is based on management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The forward-looking information reflects management’s beliefs based on information currently available to management, including information obtained from third-party sources, and should not be read as a guarantee of the occurrence or timing of any future events, performance or results.

The forward-looking information in this MD&A includes, but is not limited to, statements related to:

- our business prospects, goals and long-term strategy targets;
- our expectations regarding certain of our future results and information, including, among others, Net Revenue^(A) and Adjusted EBITDA^(A) margins for each of our segments, market share targets for our U.S. Appraisal and U.S. Title segments, corporate expenses (excluding stock-based compensation expense), conversion of Adjusted EBITDA^(A) to Free Cash Flow^(A) and the total addressable market;
- the key factors that have a significant impact on our financial performance;
- anticipated economic conditions, including the near-term market activity for purchase, refinance and home equity and default transactions;
- the scalability of the platform;
- the regulatory environment in which we operate;
- our competitive position relative to our competitors;
- anticipated industry and market trends, including the seasonality of our business;
- our intentions with respect to the implementation of new accounting standards; and
- the impact of COVID-19 on our operations, supply of services, employees, supply chain, financial condition, capital and financial resources, internal controls and business continuity plans.

In addition, our assessment of, and targets for, market share, Net Revenue^(A) margins, Adjusted EBITDA^(A) margins, corporate expenses (excluding stock-based compensation expense) and conversion of Adjusted EBITDA^(A) to Free Cash Flow^(A) are considered forward-looking information. See the “Overview” section of this MD&A for additional information regarding our strategies and market outlook in relation to these assessments.

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The forward-looking information in this MD&A is subject to risk, uncertainty and other factors that are difficult to predict and that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include, but are not limited to, the following, each of which are discussed in further detail in the “Risk Factors” section of our Annual Information Form for the year ended September 30, 2020, which is filed on SEDAR at www.sedar.com:

Strategic Risks

- changes in economic conditions resulting in fluctuations in demand for our services;
- failing to grow market share in our U.S. Appraisal business to anticipated levels;
- failing to grow market share in our U.S. Title business to anticipated levels;
- risks associated with targeting large mortgage lenders, including longer sales cycles, pricing pressures, implementation complexities and concentration risk;
- growth placing significant demands on our management and infrastructure;
- maintaining our competitive position in a competitive business environment;
- inability to successfully identify, consummate or integrate future acquisitions;
- damage to our reputation causing a loss of existing clients and/or difficulty attracting new clients;

Operational Risks

- failing to adequately protect our technology Infrastructure;
- issues with the platform;
- failing to retain key employees or hire highly skilled personnel;
- failing to maintain field professional engagement;
- the occurrence of catastrophic events which are beyond our control;

Legal and Compliance Risks

- regulatory risks applicable to us;
- risks associated with the potential reclassification of exempt employees and field professionals;
- risks associated with legal and regulatory proceedings and claims;
- failing to adequately protect our intellectual property;
- potential losses arising from field professional work product liability;
- potential infringement of our services on the proprietary rights of others;
- difficulty for shareholders to enforce judgments obtained against us;

Financial and Reporting Risks

- the potential for significant fluctuations in the market price of our shares;
- potential inability to raise additional capital in the future when needed, either on acceptable terms or at all;
- failing to maintain effective internal controls, including the inherent limitations in all control systems;
- potential tax law changes or adverse tax examinations;
- inaccurate accounting estimates and judgments;
- restrictive covenants contained in our credit facilities;
- potential dilution to existing shareholders as a result of future share issuances;
- ineffectiveness of our financial and operational risk management efforts;
- our dependence on our subsidiaries for cash flows; and
- changing accounting pronouncements and other financial reporting standards.

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We caution that the above list of risk factors and uncertainties is not exhaustive and that additional risks and uncertainties may be discussed in documents filed with the applicable Canadian securities regulatory authorities from time to time. Other risks and uncertainties not presently known by us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed in the forward-looking information. Readers are cautioned not to place undue reliance on the forward-looking information, which reflect our expectations only as of the date of this MD&A. Except as required by law, we do not undertake to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Glossary

Tier 1 means the top five U.S. banks by asset size as at September 30, 2020, as determined by U.S. Federal Reserve data, and the largest non-bank mortgage lender in the U.S. according to the Inside Mortgage Finance website: Top 100 Mortgage Lenders (first six months of calendar 2020).

Tier 2 means the top 30 mortgage lenders in the U.S. according to the Inside Mortgage Finance website: Top 100 Mortgage Lenders (first six months of calendar 2020), excluding Tier 1 mortgage lenders.

Tier 3 means the top 100 mortgage lenders in the U.S. according to the Inside Mortgage Finance website: Top 100 Mortgage Lenders (first six months of calendar 2020), excluding Tier 1 and Tier 2 mortgage lenders.

Tier 4 means all mortgage lenders in the U.S. not included in Tier 1, Tier 2 or Tier 3.