



Real Matters Q2 2022 Conference Call - Transcript

April 28, 2022

Corporate Participants

Brian Lang, *Chief Executive Officer*

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

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

Other Participants

Richard Tse, *National Bank Financial*

Thanos Moschopoulos, *BMO Capital Markets*

Daniel Chan, *TD Securities*

Gavin Fairweather, *Cormark Securities*

Robert Young, *Canaccord Genuity*

Martin Toner, *ATB Capital Markets*

Presentation

Operator:

Good day, and thank you for standing by. Welcome to the Real Matters Second Quarter 2022 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I'd now like to hand the conference over to your speaker today, Lyne Beauregard. Please go ahead.

Lyne Beauregard:

Thank you, operator, and good morning, everyone. Welcome to Real Matters financial results conference call for the second quarter ended March 31, 2022. With me today are Real Matters' Chief Executive Officer, Brian Lang; and Chief Financial Officer, Bill Herman. This morning before market opened, we issued a news release announcing our Q2 results for the three months ended

March 31, 2022. The release, the accompanying slide presentation, as well as financial statements and MD&A are posted in the Investors section of our website at realmatters.com.

During the call, we may make certain forward-looking statements which reflect the current expectations of management with respect to our business and the industry in which we operate. However, there are a number of risks, uncertainties, and other factors that could cause our results to differ materially from expectations. Please see the slide entitled Cautionary Note Regarding Forward-Looking Information in the accompanying slide presentation for more detail. You can also find additional information about these risks in the Risk Factors section of the company's annual information form for the year ended September 30, 2021, which is available on SEDAR and in the Investors section of our website.

As a reminder, we refer to non-GAAP measures in our slide presentation, including net revenue, net revenue margins, adjusted EBITDA, and adjusted EBITDA margin. Non-GAAP measures are described in our MD&A for the three and six months ended March 31, 2022, where you will also find reconciliations to the nearest IFRS measures.

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

Brian Lang:

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

We reported consolidated revenues of \$95 million, consolidated net revenue of \$24.2 million, and consolidated adjusted EBITDA of \$2.5 million in the second quarter. Our U.S. Appraisal business delivered solid financial results against a declining market environment, and we delivered top-ranking performance on client scorecards in U.S. Appraisal, which resulted in market share gains in the quarter.

U.S. Title also saw a year-over-year market share gains with our recently launched clients as a result of being ranked a top-performing vendor. In Canada, we had our best second quarter on record. The U.S. mortgage market presented significant headwinds to our business in the second quarter. The U.S. 30-year fixed rate mortgage saw its sharpest increase in 27 years in this quarter, putting pressure on both the incentive to rate refinance and affordability.

Interest rates jumped more than 50 basis points in mid-March, the largest two-week increase in more than a decade. Affordability is now at its lowest point on record outside of the 2004 to 2007 period, with the monthly payment for the average-priced home purchased up \$329 or 24% year-to-date and \$596 or 54% since the onset of the pandemic. At current rates, the rate refi candidate pool was down more than 80% compared to the start of the year, sitting at approximately 2 million candidates. Against the backdrop of these interest rate movements, we estimate that the mortgage origination market contracted by 38.8% in the second quarter with purchase transactions down an estimated 8% and refinance transactions down an estimated 54.1%.

U.S. Appraisal mortgage origination revenues, which includes purchase and refinance, were down 11.5% year-over-year, compared to an estimated 23% decline in total addressable origination market volumes as market share gains and new client additions helped soften the impact of the market decline. In the quarter, we increased market share with four of our top five clients, and we launched three new lenders in U.S. Appraisal. Other revenues also increased on higher home equity volumes.

Our market estimate includes a year-over-year decline in the use of GSE waivers, which helped increase the size of the addressable refinance market for appraisal and partially offset the 54.1% total market decline for refinance market activity.

In our U.S. Title segment, second quarter centralized title revenues declined 74.7% year-over-year against an estimated market decline of 54.1%. As I mentioned earlier, our performance with newly launched title clients has earned us increased market share on a year-over-year basis. Performance remains the key driver of growth in our U.S. Title business as we continue to advance the sales cycle with more franchise-type clients and convert the pipeline to new client launches. We launched one new title client in the second quarter.

In our Canadian segment, second quarter revenues were up 11.2% year-over-year from increasing market share with a number of our large Canadian bank clients and modestly higher revenues from insurance inspection services.

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

William (Bill) Herman:

Thank you, Brian, and good morning, everyone. Turning to slides 4 and 5 for a closer look at our financial results. U.S. Appraisal segment revenues decreased 7.8% year-over-year to \$70.4 million due to lower addressable market volumes, partially offset by market share gains with existing clients

and new client additions. Transaction costs in our U.S. Appraisal segment decreased 7.4% year-over-year, and net revenue decreased 9.2% to \$15.1 million, while net revenue margins declined 40 basis points to 21.4% compared to the same period last year. The decline in net revenue margins was due in part to the mix of mortgage origination volumes serviced, which included complex properties with higher appraisal fees, as well as an increase in home equity volumes.

Operating expenses in this segment decreased 2.5% to \$7.2 million due to lower payroll and related costs and lower licensing fees. Adjusted EBITDA in U.S. Appraisal declined to \$7.9 million from \$9.2 million in the second quarter of fiscal 2021 and adjusted EBITDA margins contracted to 52.1% on lower net revenue margins and lower addressable market volumes.

Turning to our U.S. Title segment. Revenues declined 73.1% year-over-year on lower estimated refinanced market volumes of 54.1%. Diversified revenues totaled \$0.4 million, a decline of \$1.6 million from the second quarter of fiscal 2021 as a result of rationalizing the service offering last year. Transaction costs in our U.S. Title segment decreased 69.9%, and net revenue margins decreased to 67.1% from 70.6% in the second quarter of fiscal 2021.

The contraction in net revenue margins was due to a higher proportion of closed centralized orders relative to incoming order volumes in the comparative quarter last year and higher net revenue margins in the comparative quarter last year for home equity volumes serviced. Operating expenses in U.S. Title decreased \$5.8 million to \$9.4 million in the second quarter due to lower volumes serviced. We posted an adjusted EBITDA loss of \$2.2 million in the second quarter of fiscal 2022, down from the \$13 million we generated in the same quarter last year, owing to the impact of lower refinance volumes. As we outlined during our last conference call, we continue to manage operating expenses relative to volumes serviced while ensuring that we make the right decisions to support our long-term objectives.

In Canada, revenues increased 11.2% on a year-over-year basis to \$13.8 million while net revenue margins contracted by 70 basis points due to the mix of appraisal services supplied. Canadian segment operating expenses were \$0.6 million in the second quarter, up from \$0.5 million in the second quarter of fiscal 2021 and adjusted EBITDA margins decreased to 67.3% from 70.6% in the same quarter last year due to an increase in operating expenses attributable to other expenses. In total, second quarter consolidated net revenue was \$24.2 million, compared to \$46.7 million reported in the second quarter of fiscal 2021 due to lower revenues in our U.S. Title and U.S. Appraisal segments, which was offset in part by revenue growth in our Canadian segment.

Consolidated net revenue margins were 25.5% in the second quarter, down from the 36.2% we posted in the second quarter of fiscal 2021, reflecting lower margins across all three segments. Consolidated adjusted EBITDA was \$2.5 million in the second quarter of fiscal 2022, down from \$19 million in the same quarter last year. Consolidated adjusted EBITDA margins decreased to 10.4% due primarily to the performance of our U.S. Title segment and lower market volumes.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$78 million at March 31, 2022. In the quarter, we purchased approximately 336,000 shares at a cost of \$1.5 million. At the end of the quarter, we had 2.5 million shares remaining under our current NCIB. And as we outlined in this morning's press release, we intend to increase the size of our current NCIB to 7.6 million shares contingent on the approval of the TSX. We also announced our intention to renew the NCIB.

Given our outlook on the business and the strong cash position, our capital allocation strategy going forward will be focused on purchasing shares as we believe it represents the best use of cash in this environment.

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

Brian Lang:

Thanks, Bill. The fundamentals of our business are strong. Our U.S. Appraisal segment delivered solid results in the second quarter, despite significant mortgage market headwinds. We continued to win market share across all our segments based on our performance, and we launched new clients. While interest rates increased much quicker than anticipated, the market declines we're seeing today and the industry forecasters are calling for over the next 12 to 18 months are not dissimilar from the normalized market assumptions we had outlined during our Investor Day in the fall of 2020, albeit occurring a year earlier.

Cost management will continue to be key as we navigate through these headwinds. As we've done in the past, we are focused on scaling our cost structure to align with volumes as we work to grow volumes such that we can scale back up. That said, supporting long-term clients and the franchise value of our business is non-negotiable. Our strategy to grow market share through top tier performance and adding new clients has not changed, and we remain confident in our fiscal 2025 objectives.

Home price appreciation is up a record 19.6% year-over-year and up 34% since February 2020. Americans have more equity in their homes than ever, and we will be working with our clients in leveraging our platform to help consumers take advantage of their tappable equity.

We've existing home equity capabilities to support our long-term growth objectives. Channel expansion has always been a key element of our sales strategies that allows us to engage and accelerate the sales cycle with our clients. It creates stickiness in our relationships while uncovering organic growth opportunities.

Lastly, on capital allocation, given our outlook for the business and prevailing prices, we are ready to deploy our balance sheet to purchase shares as we believe it is the best use of cash and a significant opportunity to return value to shareholders. We do not view the current environment as conducive to accretive M&A activity.

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

Operator:

[Operator Instructions] And your next – your first question comes from the line of Richard Tse from National Bank. Your line is open. Please go ahead.

Richard Tse

Yes. Thank you. With respect to the title business, I was just wondering if you sort of look at – you're trying to obviously optimize sort of the cost reductions with the opportunity. So, in its current form, what capacity upside is there? Are you kind of consuming like three quarters of that capacity, half? Can you give us a bit of context on that?

Brian Lang

Yes. I think I'd start – thanks for the question, Richard. I'd start with on the title business, the pipeline, I think, continues to be robust on the business. So, we need to keep focused on the new customers that we are targeting. Number two, we need to continue to deliver the exceptional performance, Richard, that the team is delivering right now. So, it's a non-negotiable that we don't stay at the top of the performance scorecards with our customers. That being said, there has been a fairly dramatic change in the refinance market this past quarter. So, our view is we want to run the business efficiently, but with our 2025 targets in mind and the tripling of market share. And so, we need to do that balance between short-term operational management with longer-term capability and capacity to continue to bring on new customers and continue to build our market share.

Richard Tse

Okay. Okay. And on the title side still, as you sort of look back on the prior quarter, I believe you had some win-backs in terms of Tier 3s and 4s. And as we kind of look forward here, what's the sort of the mix between, call it, Tier 1 and 2s and 3s and 4s as you kind of moderate this business going into next year?

Brian Lang

Yeah. Good question, Richard. So, I think let's look at the long term first, which is just like our appraisal business, we have now built up over the years the Tier 1 portfolio, so all six of the Tier 1s and then an incredibly robust Tier 2 to Tier 4 portfolio. Our view is that we leverage all of those same relationships that we build up on the appraisal side and take advantage of our performance equity that we continue to drive on that side and drive those customers onto the title platform.

So, that continues to be our strategy, and that is where we plan to land in title is have that type of Tier 1 and Tier 2 to 4 category of the customer – customer base. That being said, I think in the near term, the Tier 1s are definitely dealing with an awful lot with the changes in the market. And so, we're cautious, cautiously optimistic that we'll continue to push the RFPs through with the Tier 1s. But that aside, we will continue to be onboarding Tier 2 to 4 customers. And so, you should continue to see some of that over the next couple of quarters.

So, a lot of it, I think, has to do, Richard, with how the market plays through, how our lenders focus both from a product standpoint, so where they focus activity. Lot of focus right now on purchase, not surprisingly, but also we should see some focus on areas like home equity, which, for some Tier 1s, means they're going to have to sort of restart the engine. So, we'll have to see how that plays through. The RFPs are there. We continue to have conversations around them. We're cautiously optimistic. But you should see more Tier 2s to 4s also coming on the platform in the next few quarters.

Richard Tse

Okay. And just one last one for me. Obviously, you're subject to the macro here. But I guess the challenge is, is that the stock price where it's at, you're clearly still sort of gaining share in that base. You're probably – given the cash flow and what you've been able to do on the cost side could be a potential target, probably, even by private equity. Like, how do you kind of think about defending kind of opportunistic actions given your depressed position, care of the macro today?

Brian Lang

So, I think, Richard, it is a bit of a difficult market. We've seen this market before. So, the organization's been through this type of up and down in the past. And so, listen, I think as CEO and

along with my executive team, I think what we really do is we stay very focused on the things that we can control. And so that's really what we're focused on is running the business incredibly efficiently, Richard, and taking market share, as you mentioned.

So that's really what we focused on. Our belief in the near term is that with the results we've been delivering, with the cash that we've been very fortunate to raise on our balance sheet that the best use of our capital over the next little while is to deploy it into the market and buy back our shares, which, as you mentioned, we think are at an incredibly low position right now, especially as you look at the mid to longer term.

So that's really – I mean, that's the stuff that we can control, Richard. That's where we really stay focused. And that's what the team is going to stay delivering on that, as well as sort of keeping an eye on our 2025 longer-term objectives.

Richard Tse

Okay. Great. Thanks for taking my questions.

Brian Lang

Thanks, Richard.

Operator

Thank you. Your next question comes from the line of Thanos Moschopoulos from BMO Capital Markets. Your line is open. Please go ahead.

Thanos Moschopoulos

Hi. Good morning. Just in terms of the market outlook. I mean, there's obviously a lot of moving parts in terms of trying to forecast the market. But as you look at the current MBA forecast and just given your conversations with customers, I mean, in the current rate environment, do you think those forecasts can be realistic or do you have any reason to think differently?

Brian Lang

Yeah. So I think you're referencing, Thanos, I think MBA Freddie and Fannie, if you sort of take a consolidated look, I think they view the market as troughing calendar-end of this year quarter and maybe in the first quarter of next year from a calendar standpoint. So I think, that's really what the market's, I think, looking at from a trough on the title on refi.

So, I think we're not that far off that. I think that is probably doable. We talked very clearly in our Investor Day that the benefit of the refi market would eventually find its way down. And so, as I mentioned, I think we thought that would happen next year. It looks like it's happening a little bit earlier. And so, we sort of built that into our model when we looked out over time, Thanos.

And so, it hits a bottom bouncing sort of market of, call it, 400,000, 500,000 orders from our standpoint. And so, I think we should see that in the next couple of quarters. And so, our view is, again, very much dependent on rates and other dynamics in the market that we should see that coming in the next few quarters.

Thanos Moschopoulos

Okay. And then on title, I think you've talked in the past about working with the customer in terms of maybe a pilot on the purchase side. Any update on that side?

Brian Lang

Yeah. Well, so, again, very small proportion of our title business right now is on purchase, but we continue to leverage the capabilities that we have, Thanos, on purchase. So, we'll continue to drive that with our customers. It's part of our sales strategy as we go forward. So, I think that will be sort of one key element.

And the other piece will be it'd be interesting to see how cash-out refi ends up playing out. Again, very much dependent on the rates versus home equity which, of course, could come into play if the rates continue to stay reasonably high. So, we'll see what the lenders end up doing and where they focus some of their attention. As I mentioned, the Tier 1s, some of them got out of home equity early in that refi cycle, so some of them may come back in. We deliver in that home equity space. So, that would be the other states, I think, right now where there will be I think some focus, Thanos, and where we are very well-positioned to deliver against.

Thanos Moschopoulos

Okay. Great. I'll pass the line. Thanks.

Brian Lang

Yeah. Thanks, Thanos.

Operator

Thank you. And your next question comes from the line of Daniel Chan from TD Securities. Your line is open. Please go ahead.

Daniel Chan

Yeah. Hi. Good morning. Just a few questions around the capital allocation. You mentioned that M&A is going to take a payback – be put on the backburner here. Just wondering whether that's related to the data strategy or something else. And related to that, why not take advantage of lower valuations in the current marketplace?

Brian Lang

Thanks, Dan. Appreciate the questions. So, I would start with on the data monetization side of the acquisition play. I think right now with where the market sits with our – where our price sits right now, that's something that we are putting on the backburner. It's there, it's simmering, but it's definitely on the backburner. We've also been looking at title tuck-unders, so that's been another area of focus from an M&A standpoint, hopefully not surprisingly. And right now, our view is that the cheapest, the lowest risk, the best shareholder value for us right now in the short term is definitely taking a look at buying back stock, which is why we've talked about increasing our NCIB. So, I think that's really, again, back to what we think makes most sense in the near term, we think that's the best deployment of cash right now, least risk, highest shareholder return.

Daniel Chan

Okay. Thanks. And then as it relates to the NCIB, you only have about a month-and-a-half left on your current NCIB, and you're looking to expand that to – by another 1.6 million shares. Should we expect you to exhaust that NCIB by June?

Brian Lang

I think, Dan, the way I'd look at that is, I think, we'll be very active on the NCIB in the upcoming near term. And, again, a lot of it depends on some of the dynamics in the market. But I think you're going to see us very active.

Daniel Chan

Okay. And if we think about potential limits there, like should we think about it as are you willing to go above what you generate on a quarterly free cash flow basis?

Brian Lang

Yeah. No, definitely, Dan. So, we're going to be more active than we've been in the past around free cash flow. We'll definitely be stepping up.

Daniel Chan

Great. Thank you.

Operator

Thank you. And your next question comes from the line of Gavin Fairweather. Your line is open. Please go ahead.

Gavin Fairweather

In your prepared remarks, you talked about seeing some year-over-year share gains and – with your Tier 1 and Tier 2. But it does look like you had moderating market share overall this quarter. So, maybe you can just speak to what you're seeing in the Tier 3 and Tier 4 base and when you think that share can stabilize there.

Brian Lang

Sure. So, on title share, Gavin, as mentioned, we continue to drive very strong performance with our Tier 1 and Tier 2. So, on our long-term strategy, which is to continue to build that base, I think we're definitely showing some, I think, performance benefits there and showing some results on that front.

As far as the mix, as you know, we made some decisions on customer mix. And so, we see that sort of playing through. And we think we're pretty well at the backend of that. We also mentioned the diversified title, as you know, that business, non-scalable business that we shuttered awhile back, that still has a bit of an impact there.

The other piece is, if you take a look back at Q2 last year, Gavin, we actually had a sort of – a bunch of closed volume come in that was somewhat unexpected. It was a carryover from the previous quarters. So, if you take a look at our margins, our margins were very, very strong, above 70% in Q2. And so, the compare – you're now getting a little bit of that on the compare year-over-year playing through. So, that really, I think, explains the market share differential.

Gavin Fairweather

Okay. That's helpful. And then, in your remarks, you also talked about sales processes with the Tier 1s for title being influenced a little bit by kind of the slower environment and then being maybe a bit more inwardly looking right now. So, if we can talk about how you're adjusting your tactics from a sales environment just given kind of those changing maybe priorities in the market, maybe talk about how you're tactically shifting to adjust.

Brian Lang

Sure. So, sales stay very focused on Tier 1s. We'll continue, Gavin, to have that focus on Tier 1s. But that being said, we will also continue to drive and put our shoulder into Tier 2s to 4s. So, I think you'll see that we'll continue those types of sales conversations across the spectrum.

That being said, pending on, as I say, some of the market conditions, some of the ways in which the lenders are going to manage through the conditions over the next few months/quarters, we will then respond appropriately. So I mentioned that we've pivoted some of our sales conversations toward purchase. We've also pivoted some of those conversations towards home equity, pending on how that lenders is looking at the refinance market.

So, again, our long term is continue to focus on leveraging all the appraisal work we're doing with the Tier 1s now and the performance that we're seeing there and leverage that back onto under the title business. So we'll keep those RFP conversations going. And we will then make sure that we're continuing to fill the Tier 2 to 3 pipeline, pending the timing with the Tier 1s.

Gavin Fairweather

Appreciate the color. I'll pass the line.

Brian Lang

Thanks, Gavin.

Operator

Thank you. [Operator Instructions] Your next question comes from the line of Robert Young from Canaccord Genuity. Your line is open. Please go ahead.

Robert Young

Hello. Good morning. The last question, I'll just continue on that around the operational changes you're seeing in your customers. I guess they've been doing some head cuts. And so I was wondering if you could comment on how widespread that is. And I assume it's impacting the refi side of the business more. But is there any other – anything you can say about where the operational changes are? And then as you look through that, does that create an opportunity for more adoption of digital software tools in the space? Does it create a bit of a vacuum for some of the things that you do?

Brian Lang

Thanks, Rob. So, I think I'm reading the same things you are in the news the last couple of weeks. So, definitely very clear that the lenders are taking action and managing their costs, very similar to the actions that we've taken, so I'd say we're going to see some of that. And the pivot to me right now that we're seeing with those lenders is around really sort of doubling down on purchase and making sure that they're taking advantage of their customer base and winning as much purchase business

as they can. And I've mentioned home equity, which I think is now becoming a bigger conversation. Again, a lot of that will be rate dependent. So, we're seeing a bit of a flex towards that.

And when you talk about the tech products, Rob, I think the capabilities that we have in those areas, I think, meet the demand of those customers. So, I think there is opportunity for us to deliver against the movements that some of them may have again. So, depending on where their strategies go, we deliver and purchase, we deliver in home equity. So, our view is that we're very well-positioned to deliver against the needs, depending on where they move.

Robert Young

Great. And – but in the near term, I think it's your view now that it's likely that those customers will be more focused on their internal operations than considering adopting new Tier 1 – new title products, et cetera. Is that correct? How long does that last, do you think?

Brian Lang

Yeah. I mean, I think it's going to be – you're asking a tough question, Rob, only because I don't know what's going to happen with the dynamics in the market. So, a lot of it's going to be driven, I think, by market dynamics. And this has been a fairly short-term, high-moving rise in the rates. The other piece though that plays in through all of this, Rob, which is slightly off of the product mix, it's also around the consolidation of vendors. So, what a lot of lenders do when we get into a market like this is they do start consolidating the vendors that they're doing business with. And so, the benefit, I think, for us is we almost always benefit through this because of where we sit on the performance scorecards. So, because we're at the top of the scorecards, when they do rationalize vendor bases, we usually are able to win some market share through that rationalization. So, we expect that there's going to be some of that in the market over the next quarter or two, again, with rates where they are. So, that should be a bit of a tailwind for us.

Robert Young

Okay. And maybe just last one for me is just around the seasonality that typically starts to drive some higher transactions around this time of the year. And I was really just curious if you're seeing any growth in the appraisal in the spring market turning out better or worse than you thought. And then if you could also comment on what you're seeing out there from waivers, and the prevalence of desktop appraisal, that sort of thing, and then I'll pass along.

Brian Lang

You covered quite a bit in those last three pieces. So, let's start with household affordability. As we mentioned, I mean, that is at the lowest rate it's been in an awful long time, Rob. So, affordability is a bit of a challenge. I'd say it's a little bit of a headwind on the purchase side. That being said, there is – continues to be significant demand in the market. So, you've got – you sort of got a very interesting overlap going there between affordability and demand. So, again, we'll sort of have to see how that plays out throughout the spring and summer. But our expectation is there will be a bump seasonality-wise as we've seen in the past. So, that's sort of on that piece.

On waivers, we continue to see waivers go down. So, we saw a very decent year-over-year decline and a marginal quarter-over-quarter decline, but it continues to find its way down. And so, that, of course, is a tailwind for the business and that it opens up the addressable market. So, I think that answers those two.

And desktops, we've seen very little momentum on desktops. So, we are doing very few. We, of course, are capable of doing them. We have the capabilities to do it, Rob. But we're seeing a very, very low volume in desktops right now.

Robert Young

Okay. Thanks for taking that three-parter. I'll pass the line.

Operator

Thank you. Your next question comes from the line of Martin Toner from ATB Capital Markets. Your line is open. Please go ahead.

Martin Toner

Thank you, guys, for taking the question. Can you review for us if the – if appraisal and/or title has seen pricing pressure during previous volume corrections in the market?

Brian Lang

Yeah. Pricing pressure. So, the appraisal business, if I start there, Martin, the appraisal business, when there is a significant decline in volume, what that generally means in the business is the competitiveness of the appraisers and the – that appraisal, the platform for us, the competitiveness of the appraisers on the platform, when there's – when the volume comes down, the overall cost structure with them comes down so we're able to lower some of the costs there. And so, see a little bit of pricing come down on the appraisal side when there's significantly lower volume. We've seen less of that on the title side. Title seems to be because the pricing in title is – it's very complex. It's very county driven. It's state driven. It's – it is a very, very complex setup. It's backed, as you know, and

built around the insurance side with title insurance. So, it sees less dynamic than the appraisal side does when the volumes are changing.

Martin Toner

Got you. So, in previous refinance busts title prices have held steady.

Brian Lang

Yes. They're less impacted than you might see on the appraisal side.

Martin Toner

Perfect. Has there been any – what does the competition do in U.S. Title during these periods of lower refinance volumes? Does their behavior change? It sounds – by the pricing observation, it sounds like there's not much they do. And I'm just wondering, because I know many of them have other lines of business like insurance and I'm just wondering what their behavior is with this in this product line.

Brian Lang

Martin, I think you're talking about competitors like folks that compete with us. I think when you mean competitors, you don't mean other lender competitors of some sort or another.

Martin Toner

Yeah. No. I mean your competitors.

Brian Lang

What do our competitors do? So, I really don't want to speak for our competitors, Martin, so I think they like us, when the volumes change dramatically in a particular area within the business, I assume that they focus in a particular area within the business, I assume that they focus on others of the business, where they think the opportunity lies for them. So, for us, as I mentioned in title, we've got – we currently are servicing the purchase side of the business. We have capabilities around home equity. And so, I think where, then, we focus our attention is we make sure that we're doing what we need to do in the refinance component. And as we mentioned, there's still healthy refinance volume even in a bottom-bouncing market, there's still healthy volume there. There will always be some healthy volume there. But if the lenders turn their attentions to either the purchase side or home equity or default that ends up finding its way back into the market, then that's where I assume – that's where we at least will focus our attention.

Martin Toner

Okay. Great. Thank you. How about Canada? How confident are you that the Canadian market will hold in as well as it has been? Because, obviously, they're also subject to similar dynamics in the interest rate market.

Brian Lang

Yeah. Well, I mean, the big difference between the two markets, as you know, Martin, is around refinance. And in Canada, we don't have a market that's similar to the U.S. as a robust component and competitive component as the U.S. does. So, because purchase is, by far, the most significant driver of the business, the question then becomes what do we think about the housing market in Canada? And the housing market is very healthy, as you know. So, we are seeing very good volumes. We're seeing that seasonality in the Canadian market right now. So, it is – it continues to be a pretty dynamic and strong market. And so, we'll see how that plays out.

So, I think our view, at least in the near term is that the market remains healthy from a volume standpoint for us.

Martin Toner

Fair point. Thank you very much. And then last question for me. You mentioned vendor consolidation by lenders in this environment. What happens to you with your clients that you capped last year as you were preparing to ensure you have capacity for new Tier 1 lenders?

Brian Lang

Yeah. So, those lenders that we have is they're part of the overall mix, Martin. And again, I drive it back to the performance that we're providing for them. So, these are sort of the types of lenders that we see as long-term customers of ours. So, the type of performance that we've been driving across the board has been incredibly strong. And so because we sit at the sort of top of the performance scorecard, our view is that we will continue to drive share there. And, therefore, if there is any consolidation, we assume that we're going to continue to win share through that.

Martin Toner

Super. Thank you.

Operator

And there're no further question at this time. This concludes today's conference call. Thank you for your participation. You may now disconnect.