

Real Matters Reports Third Quarter 2017 Financial Results

Market Share Gains Offset Market Declines

(all amounts are expressed in U.S. dollars unless otherwise stated)

TORONTO--(BUSINESS WIRE)--August 11, 2017--Real Matters Inc. (TSX: REAL) ("Real Matters" or "the Company"), a leading network management services platform for the mortgage and insurance industries, today announced its financial results for the third quarter ended June 30, 2017.

"In line with our strategy, we achieved market share gains that offset the estimated decline in the U.S. mortgage origination market. In the appraisal business, we increased our market share with each of our Tier 1 clients and successfully deployed new Tier 2 clients during the quarter. We were also very pleased with our performance in the title and closing business in the context of a 37% drop in refinance mortgage market volume in the U.S.," said Real Matters Chief Executive Officer Jason Smith.

"In addition to the market share gains we achieved in Q3, one of our recently launched Tier 1 clients awarded us a very significant appraisal market share increase subsequent to quarter end relative to our expectations for this client. This acceleration underscores our proven ability to obtain market share increases based on the performance advantages of our network management platform. We also made significant progress enhancing the closing process for our existing title and closing clients by leveraging some of our core network management competencies, and we kicked off our next generation closing pilot for purchase transactions with a Tier 2 lender in the U.S. last month," added Smith.

Third Quarter 2017 Financial Highlights

- Consolidated revenues of \$76.7 million, in line with Q3 2016
- Net Revenue^(A) of \$23.3 million, down from \$23.9 million in Q3 2016
- Net Revenue^(A) margins, expressed as a percentage of consolidated revenues, declined modestly to 30% from 31% in Q3 2016
- Adjusted EBITDA^(A) of \$2.8 million compared with \$5.6 million in Q3 2016
- Adjusted Net Income^(A) per share (diluted) of \$0.02 compared with \$0.04 in Q3 2016

Real Matters generated consolidated revenues of \$76.7 million, in line with the third quarter of 2016, as organic market share gains in U.S. appraisals and title and closing were offset by a decline in the overall market for these services.

U.S. residential mortgage origination market volume decreased by approximately 9% year-over-year in the quarter ended June 30, according to the MBA; residential mortgage purchase market volume increased 15% while refinance market volume was down 37%. When adjusting for the estimated market declines, Real Matters' U.S. revenues grew organically as a result of market share gains and new client revenues in both the appraisal and title and closings businesses. The Company continued to ramp up appraisal market share with its recently deployed Tier 1 customers during the quarter. U.S. segment revenues represented 88% of consolidated revenues in the third quarter of 2017.

Third quarter revenues in Canada declined 4.9% to \$9.0 million, largely due to foreign exchange which represented a 3.1% decline in revenues over the prior year quarter. Canadian segment revenues represented 12% of consolidated revenues in the quarter.

Net Revenue^(A), which management calculates as revenues less transaction costs, decreased to \$23.3 million from \$23.9 million in Q3 2016, and Net Revenue^(A) margins were 30.4% compared to 31.2%. The modest decline in Net Revenue^(A) margins was principally due to an increase in transactions costs related to service revenue mix during the quarter. As Real Matters builds market share with clients, the Company expects to leverage its platform to lower transaction costs as a percentage of revenues, improving margins over the long term.

Adjusted EBITDA^(A) decreased to \$2.8 million from \$5.6 million in Q3 2016 due to higher transaction costs and operating expenses as Real Matters continued to build capacity on its platform to scale for additional transaction volume from new Tier 1 clients. The Company expects that the impact of these costs will be more than offset by increased transaction volumes in future periods.

(tabular amounts are expressed in thousands of U.S. dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Condensed Consolidated Statement of Operations				
Revenues	\$ 76,672	\$ 76,655	\$ 220,084	\$ 167,564
Transaction costs	53,339	52,715	151,819	124,217
Operating expenses	23,616	18,348	64,929	35,807
Acquisition and Initial Public Offering ("IPO") costs	1,484	2,311	2,760	2,520
Amortization	5,329	5,345	15,893	8,148
Impairment of assets	-	-	5,096	-

Interest expense	219	282	729	465
Interest income	(23)	(14)	(23)	(15)
Net foreign exchange loss (gain)	3,603	(67)	314	697
Loss on fair value of warrants	721	89	5,292	5,415
Re-measurement loss on previously held equity method investment	976	-	976	-
Net (income) loss from equity accounted investees	(3)	(336)	86	(336)
Loss before income tax recovery	(12,589)	(2,018)	(27,787)	(9,354)
Net income tax recovery	(3,835)	(960)	(7,840)	(1,641)
Net loss	\$ (8,754)	\$ (1,058)	\$ (19,947)	\$ (7,713)
Net Revenue^(A)	\$ 23,333	\$ 23,940	\$ 68,265	\$ 43,347
Adjusted EBITDA^(A)	\$ 2,792	\$ 5,592	\$ 6,464	\$ 7,540
Adjusted Net Income^(A)	\$ 1,994	\$ 3,354	\$ 2,046	\$ 2,846

(A): Net Revenues, Adjusted EBITDA and Adjusted Net Income are Non-GAAP measures. See note A below.

Revenue by geography and service type

	Three months ended June 30, 2017				Three months ended June 30, 2016			
	U.S.	% of revenues	Canada - expressed in thousands of Canadian dollars	% of revenues	U.S.	% of revenues	Canada - expressed in thousands of Canadian dollars	% of revenues
Appraisal and ancillary	\$ 51,529	76.2%	\$ 11,059	91.5%	\$ 49,917	74.3%	\$ 11,138	90.1%
Title and closing	15,734	23.3%	-	-%	17,117	25.5%	-	-%
Other	401	0.5%	1,032	8.5%	151	0.2%	1,217	9.9%
Revenues	\$ 67,664	100.0%	\$ 12,091	100.0%	\$ 67,185	100.0%	\$ 12,355	100.0%

	Nine months ended June 30, 2017				Nine months ended June 30, 2016			
	U.S.	Percent-age of revenues	Canada - expressed in thousands of Canadian dollars	Percent-age of revenues	U.S.	Percent-age of revenues	Canada - expressed in thousands of Canadian dollars	Percent-age of revenues
Appraisal and ancillary	\$ 143,106	72.6%	\$ 27,243	88.5%	\$ 128,768	88.2%	\$ 25,174	87.7%
Title and closing	52,732	26.8%	-	-%	17,117	11.7%	-	-%
Other	1,171	0.6%	3,536	11.5%	151	0.1%	3,521	12.3%
Revenues	\$ 197,009	100.0%	\$ 30,779	100.0%	\$ 146,036	100.0%	\$ 28,695	100.0%

Initial Public Offering

On May 11, 2017, Real Matters completed an IPO of common shares (the "Offering"). Its common shares are listed on the Toronto Stock Exchange under the stock symbol "REAL". The Offering of 12.1 million common shares consisted of a treasury share issuance of 9.6 million common shares and a secondary offering of 2.5 million common shares by certain selling shareholders. The Offering price of C\$13.00 resulted in net proceeds of C\$117.6 million to the Company and C\$29.8 million to the selling shareholders, after underwriting commissions of C\$7.5 million and C\$1.9 million, respectively.

Immediately prior to the closing of the Offering, the Company consolidated the Company's Class A shares on a two-for-one basis pursuant to a share consolidation. At June 30, 2017, there were 87.3 million Real Matters common shares outstanding.

During the third quarter, the Company used a portion of the net proceeds of the Offering to repay \$15.5 of long-term debt. Real Matters had cash and cash equivalents outstanding of \$70.6 million at June 30, 2017.

Outlook

Please refer to the Strategy and Outlook section of Management's Discussion and Analysis ("MD&A") for the third quarter ended June 30, 2017.

(A) Non-GAAP Measures

Real Matters' financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). Real Matters reports several non-GAAP financial measures, including "Net Revenue", "Adjusted EBITDA" and "Adjusted Net Loss". See "Non-GAAP measures" in Real Matters' MD&A for the periods ended June 30, 2017 for a more complete description of these terms. These measures which the Company believes are widely used by investors, securities analysts and other interested parties, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar titled measures presented by other public companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Any Non-GAAP measures should be considered in context with the IFRS financial statement presentation and should not be considered in isolation or as a substitute for IFRS revenues or net income.

Adjusted EBITDA

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Net loss	\$ (8,754)	\$ (1,058)	\$ (19,947)	\$ (7,713)
Stock-based compensation expense	3,075	-	3,128	-
Acquisition and IPO costs	1,484	2,311	2,760	2,520
Amortization	5,329	5,345	15,893	8,148
Impairment of assets	-	-	5,096	-
Interest expense	219	282	729	465
Interest income	(23)	(14)	(23)	(15)
Net foreign exchange loss (gain)	3,603	(67)	314	697
Loss on fair value of warrants	721	89	5,292	5,415
Re-measurement loss on previously held equity method investment	976	-	976	-
Net (income) loss from equity accounted investees	(3)	(336)	86	(336)
Income tax recovery	(3,835)	(960)	(7,840)	(1,641)
Adjusted EBITDA	\$ 2,792	\$ 5,592	\$ 6,464	\$ 7,540

Management typically calculates Adjusted EBITDA as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 76,672	\$ 76,655	\$ 220,084	\$ 167,564
Less: Transaction costs	53,339	52,715	151,819	124,217
Less: Operating expenses	23,616	18,348	64,929	35,807
Add: Stock-based compensation expense	3,075	-	3,128	-
Adjusted EBITDA	\$ 2,792	\$ 5,592	\$ 6,464	\$ 7,540

Net Revenue

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Net loss	\$ (8,754)	\$ (1,058)	\$ (19,947)	\$ (7,713)
Operating expenses	23,616	18,348	64,929	35,807
Acquisition and IPO costs	1,484	2,311	2,760	2,520
Amortization	5,329	5,345	15,893	8,148
Impairment of assets	-	-	5,096	-
Interest expense	219	282	729	465
Interest income	(23)	(14)	(23)	(15)
Net foreign exchange loss (gain)	3,603	(67)	314	697
Loss on fair value of warrants	721	89	5,292	5,415
Re-measurement loss on previously held equity method investment	976	-	976	-
Net (income) loss from equity accounted investees	(3)	(336)	86	(336)
Income tax recovery	(3,835)	(960)	(7,840)	(1,641)

Net Revenue	\$	23,333	\$	23,940	\$	68,265	\$	43,347
-------------	----	---------------	----	--------	----	---------------	----	--------

Management typically calculates Net Revenue as follows:

	Three months ended June 30,				Nine months ended June 30,			
	2017		2016		2017		2016	
Revenues	\$	76,672	\$	76,655	\$	220,084	\$	167,564
Less: Transaction costs		53,339		52,715		151,819		124,217
Net Revenue	\$	23,333	\$	23,940	\$	68,265	\$	43,347

Adjusted Net Income

	Three months ended June 30,				Nine months ended June 30,			
	2017		2016		2017		2016	
Net loss	\$	(8,754)	\$	(1,058)	\$	(19,947)	\$	(7,713)
Stock-based compensation expense		3,075		-		3,128		-
Acquisition and IPO costs		1,484		2,311		2,760		2,520
Amortization of intangibles		4,942		4,897		14,731		7,356
Impairment of assets		-		-		5,096		-
Net foreign exchange loss (gain)		3,603		(67)		314		697
Loss on fair value of warrants		721		89		5,292		5,415
Re-measurement loss on previously held equity method investment		976		-		976		-
Related tax effects		(4,053)		(2,818)		(10,304)		(5,429)
Adjusted Net Income	\$	1,994	\$	3,354	\$	2,046	\$	2,846
Weighted average number of shares outstanding (thousands), basic		82,386		75,128		77,891		67,575
Weighted average number of shares outstanding (thousands), diluted		87,445		82,319		82,950		74,766
Adjusted Net Income per weighted average share, basic	\$	0.02	\$	0.04	\$	0.03	\$	0.04
Adjusted Net Income per weighted average share, diluted	\$	0.02	\$	0.04	\$	0.02	\$	0.04

Forward-Looking Statements

This new release contains forward-looking statements that relate to our current expectations and views of future events including with respect to future market share and transaction volumes. In some cases, these forward-looking statements can be identified by words or phrases such as “forecast”, “target”, “goal”, “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict”, or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements.

We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe might affect our financial condition, results of operations, business strategy and financial needs. A comprehensive discussion of the risks that impact Real Matters can be found in the Company's Final Long Form Prospectus dated May 5, 2017, and the most recently filed MD&A for the periods ended June 30, 2017 available on SEDAR at www.sedar.com. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described under the heading “Important Factors Affecting Results from Operations” outlined in the Strategy and Outlook section of the Company's MD&A for the periods ended June 30, 2017.

Real Matters cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Information contained in forward-looking statements in this news release is provided as of the date of this news release and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Conference Call and Webcast

A conference call to review the results will take place at 10 a.m. (ET) on Friday, August 11, 2017, hosted by Chief Executive Officer Jason Smith and Chief Financial Officer Bill Herman. An accompanying slide presentation will be posted to the Investor Relations section of our website shortly before the call.

To access the call:

- Participant Toll Free Dial-In Number: (877) 201-0168
- Participant International Dial-In Number: (647) 788-4901
- Conference ID: 46851705

To listen to the live webcast of the call:

- Go to: <https://event.on24.com/wcc/r/1428859/C623D91C6C3CD0153305695DEB7B4948>

The webcast will be archived and a transcript of the call will be available in the Investor Relations section of our website following the call.

About Real Matters

Real Matters is a leading network management services provider for the mortgage lending and insurance industries. Real Matters' platform combines its proprietary technology and network management capabilities with tens of thousands of independent qualified field agents to create an efficient marketplace for the provision of mortgage lending and insurance industry services. Our clients include 60 of the top 100 mortgage lenders in the U.S. and some of the largest insurance companies in North America. We serve the mortgage industry through the Solidifi and Linear Title & Closing brands, and the property and casualty insurance industry through the iv3 brand. Solidifi is a leading independent provider of residential real estate appraisals to the mortgage market and Linear is a leading independent provider of title and mortgage closing services in America. Established in 2004, Real Matters has offices in Buffalo (NY), Cincinnati (OH), Denver (CO), Middletown (RI), and Markham (ON). Real Matters is listed on the Toronto Stock Exchange under the symbol REAL. For more information, visit www.realmatters.com.

CONTACT:

Real Matters
Lyne Fisher, 289-843-3383
Vice President, Investor Relations and Corporate Communications
lfisher@realmatters.com