



# HARBOR VIEW

Investment Banking

- ❑ **Situation:** the property valuation market is served by fragmented layers of providers at the national, regional and local levels which operate under regulatory constraints, large lender dominance and heavy influence from the GSEs (Fannie/Freddie).
- ❑ **Complication:** the appraisal management companies (AMCs) are facing a declining appraiser population, increasing regulatory pressures, new waivers, “de minimis” thresholds, bifurcation and disruptive technology changes – challenge to achieve scale and differentiation organically.
- ❑ **Future:** we expect continued consolidation of AMCs for scale and technology – and new entrants with digital business models and broader solution suites.

# Residential Property Valuation Market Dynamics

\$3.5+ Trillion  
Annual  
Originations



20+ Million  
Annual  
Transactions



\$5 Billion  
Annual  
Fees

## Appraisal Providers

Volume	25%	25%	50%
	Large/ Captive	Mid-Market	Regional



- AMCs - Big 5, 15 mid-sized and ~300 regional
- Network, staff management models
- ~40% GM given pass-through revenue
- Regulatory burdens
- Support from AMS, Data, Inspectors, Mobility, AVM

## Appraisal Methods

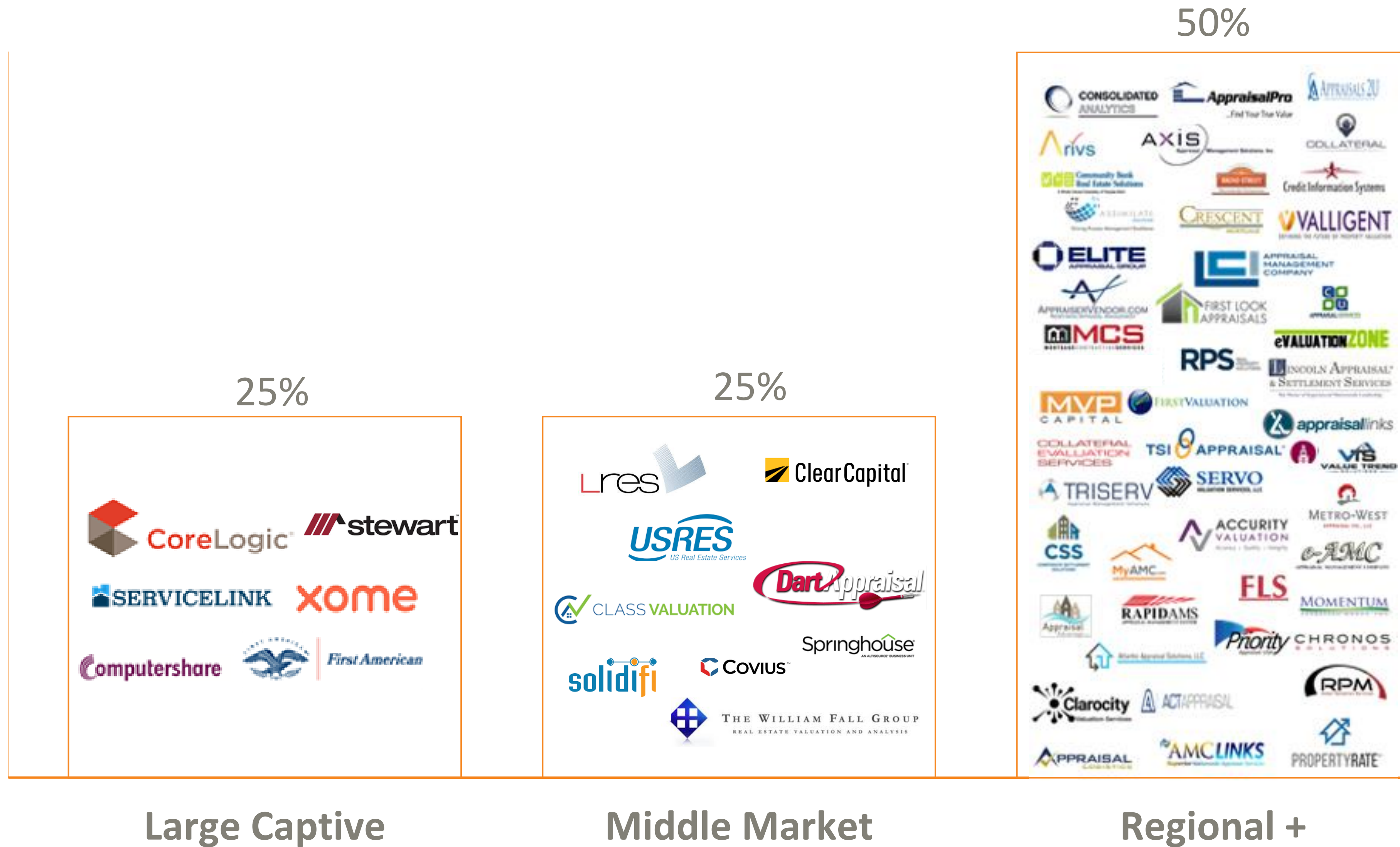
Volume	50%	30%	20%
	Full	Hybrid	Other
Fees	\$400	\$170	\$100
GM	25%	45%	20%



- GSE drive to reduce Full Appraisal with “bifurcation”, “de minimis” thresholds & waivers
- New methods at lower price point, higher GM
- A challenge to adapt business models and technology

# AMC Landscape – Room to Consolidate

Collective Volume



# AMC Market Dynamics

## Current Trends:

Customers actively consolidating vendors and seeking alternatives

Increased regulation

Appraiser shortage

Looming technology disruption

Growing advantages for the larger AMCs

Limited exit options



## Future State:

Complementary differentiation and synergies

Better positioned to adapt to regulatory changes

Broader population across multiple markets

Positioned for disruptions – e.g. “Bifurcation”

Need to differentiate not just scale...

Move-the-needle size attractive to strategic or as PE interests in a solution with title, data, other

# Market Activity – Large Scale M&A

## Strategics

 **BLACK KNIGHT** • BlackKnight acquires unique data providers of Pricing & MLS info.

 **optimalblue** • OB pricing for \$1.8bn EV, ~15X revenue.

 **Collateral Analytics** • CA, likely high valuation of ~\$60M or roughly 4-5X revenue

 **CoreLogic** • CLGX acquires Mercury in 2017 for \$153mn

**Mercury Network** • Transaction terms not disclosed, perhaps as high as 3.0X Revenue


 **CoreLogic** • CoreLogic acquires FNC in 2016 for \$475mn


 **FNC** • 13.5X TTM EBITDA

## Private Equity

 **EllieMae** • ICE acquires for \$11bn, ~12X revenue

 **ICE** • Follows 2019 Thoma Bravo \$3.5bn take private of Ellie Mae

 **THOMA BRAVO** • TB deal: 7.7X revenue

 **VISTA EQUITY PARTNERS** • Vista Equity (via Finastra) acquires DH Corporation in 2017 for \$4.8bn

 **D+H** • 12.5X TTM EBITDA and 2.1X revenue

 **RADIAN** • Radian restructuring  
• Divested Clayton Services to Covius

\$20bn in Transactions in past 12 months

# Market Activity - Recent Investments

## Early Stage



- App to speed appraiser workflow
- Founded 2016, India/New York
- Incubator funded
- Funding to date: Undisclosed



- Two-sided appraisal platform
- Founded 2016, Boston, MA
- Venture capital backed
- Funding to date: \$3.8M



- App to speed appraiser workflow
- Founded 2016, New York
- Venture capital backed
- Funding to date: \$20M

Start-ups getting funded

## Acquisitions



- Class Valuation (Appraisal) acquired Landmark in 2018 (reverse mortgage) & Janus 2019
- Likely less than \$15mn each.
- Leadership with Detweiler, Staudenmaier (Fannie)



- Stewart, with break up fee from aborted FNF deal
- Acquires two large AMCs for scale, technology and leadership
- US Appraisals and Pro Teck within 4 months of each other



- Dart appraisal acquired VMG in March 2018
- VMG provider of appraisal management services
- Likely less than \$10mn in value

Rollups & Differentiation

# AMC / Valuation Trends

## Today

1

Limited pricing power

2

Inefficient process

3

Technology dilemma

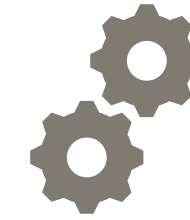
## Future

Technology-enabled with  
integrated mobility

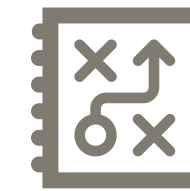
Distributed inspection  
process with centralized risk  
management

Straight through integration  
LOS, title and underwriting

## Considerations



Tech chasm



Regulatory  
uncertainty



Horizontal and  
vertical  
consolidation



---

*DISCLAIMER This presentation is intended for information and discussion purposes only and does not constitute legal or professional investment advice. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of Harbor View Advisors, LLC (“HVA”). The information in this presentation was compiled from sources believed to be reliable for informational purposes only. HVA does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented.*