Doma First Quarter 2022 Earnings Transcript

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Beatriz Bartolome, *Head of Investor Relations, Doma*
Thank you, operator. Good afternoon everybody and thank you for joining Doma's First Quarter 2022 Earnings Conference Call.

Earlier today, Doma issued a press release announcing its first quarter results, which is also available at investor.doma.com. Leading today's discussion will be Doma's Founder and Chief Executive Officer, Max Simkoff, and Acting Chief Financial Officer, Mike Smith. Following management's prepared remarks, we will open up the call to questions.

Before we begin, I would like to remind you that our discussion will contain predictions, expectations, forward-looking statements and other information about our business that is based on management's current expectations as of the date of the presentation. Forward-looking statements include, but are not limited to, Doma's expectations or predictions of financial and business performance and conditions and competitive and industry outlook. Forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results and/or from our forecasts, including those set forth in Doma's Form 8-K filed today.

For more information, please refer to the risks, uncertainties and other factors discussed in Doma's most recently filed annual report on Form 10-K and other SEC filings. All cautionary statements that we make during this call are applicable to any forward-looking statements we make wherever they appear. You should carefully consider the risks and uncertainties and other factors discussed in Doma's SEC filings. Do not place undue reliance on forward-looking statements as Doma is under no obligation and expressly disclaims any responsibility for updating, altering or otherwise revising any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Additionally, during this conference call, we will also refer to non-GAAP financial measures, including retained premiums and fees, adjusted gross profit, and the other measures described in our earnings release. Our GAAP results and description of our non-GAAP financial measures with a full reconciliation to GAAP can be found in the first quarter 2022 earnings release which has been furnished to the SEC and is available on our investor website.

And with that, I'll turn the call over to Max Simkoff, CEO of Doma.

Max Simkoff, *Chief Executive Officer, Doma*

Thank you, Bea. Good afternoon everyone and thank you for joining us to review our first quarter 2022 results. Before we get started, I would like to formally welcome Mike Smith as our interim Chief Financial Officer. As communicated in April, Noaman Ahmed will be stepping down as CFO effective May15th for personal reasons and we are thrilled to have someone of Mike's caliber and pedigree ready to step into this interim role. Mike joined us in August of last year as our Chief Accounting Officer, having previously served in that same role for several other public companies. Mike also spent time as interim CFO of Banc of California when they went through a CFO transition in 2019.

During today's call, in keeping with previous calls, I'm going to focus on three main themes:

(1) First, we have continued to take share in the US title and escrow market, led by our machine intelligence-driven Doma Intelligence platform, which offers a better, faster, more affordable mortgage closing experience for lenders and their customers completing refinance transactions. And we've done so against the backdrop of a dramatic shift in the US mortgage market - one where mortgage interest rates rose in Q1 at the fastest pace in 28 years, all while housing inventory remained at extraordinarily low levels.

(2) Second, we believe this shift in the market is likely the beginning, not the end, of a trend toward lower overall mortgage volumes amid more challenging circumstances for buying and selling homes. Based on this conviction, we have decided to re-prioritize the deployment of our capital towards a narrower list of primarily Home Purchase focused strategic initiatives.

(3) Finally, to ensure that we execute with high conviction on solutions for the Purchase market, we have meaningfully reduced our expense base for the part of our business that has previously focused more on Refinance. What's more, we raised a significant amount of cash when we took the company public - and we will look to preserve it and only invest in core areas of the business that will give us sustainable long term differentiation.

Put simply, we are fully aware that a significant shift in our industry has increased the importance of delivering value for the home purchase market, and we are fortunate to have the balance sheet strength to be able to continue making long term strategic investments to change the way that homes are bought and sold. We will deliver that value in a way that more conservatively deploys investment dollars, allowing us to ensure we remain on the same previously communicated timeline to profitability. We're confident that the way we've re-balanced our focus will enable us to emerge stronger and more steadfast on the other side of these challenging market conditions.

I'll now provide some more color on each of these three main themes and after that, I'll turn the call over to Mike, who will go through the details of our Q1 financial results and discuss our revised guidance for FY22.

Let's start by reviewing how the mortgage market and our business performed in the first quarter of 2022.

In the first quarter, the mortgage market rapidly readjusted with refinance transactions down industry-wide by 63% year over year per the Mortgage Bankers Association (MBA). Additionally, purchase activity, as measured by the MBA's Weekly Applications Survey, has been much lower than expected for this time of year, with weekly mortgage applications to purchase a home recently declining as much as 17% year over year, suggesting a much greater slowdown in the purchase market than anticipated. Based on the recent trend in rates, it's likely that we will see a continued negative impact on the overall mortgage market. In January, the average monthly 30-year fixed rate per the Freddie Mac weekly Primary Mortgage Market Survey was 3.45%. During the quarter, rates rose quickly, reaching a daily high of 4.95% on March 28th, and most recently hitting 5.64% on May 6th as per Mortgage News Daily. This rapid increase in mortgage rates, has been greater and faster than any industry forecast had predicted. Factoring in rapidly rising inflation levels, high home price appreciation, and historically tight housing inventory, the strains on housing affordability are increasingly concerning. According to Black Knight, if rates were to rise just 50 basis points more or home prices were to rise just 5% more, home affordability would be the lowest on record. We think the market should be bracing for an extended period of unfavorable conditions.

Now turning to our business performance in Q1, while the total mortgage market declined 42% year over year, our total market share - which is still very small - grew by 40% year-over-year, from 1.0% in 1Q21 to 1.4% in 1Q22.

Against the industry's 63% decline in refinance, our refinance closed orders - which includes performance from both our Local and Enterprise channels - were down 20% YoY. Our outperformance in refinance versus the industry was driven by market share gains with our 1Q22 share of the US refi market now at 2.5% vs 1.1% in 1Q21. Driving this growth in market share is the strong adoption of our Doma Intelligence technology by our referral partners in our Enterprise channel where our closed orders grew 38% YoY. In Q1 we added 11 new lender referral partners who represent both bank and non-bank originators and saw some new state expansion with select partners. While we fully expect our market share gains in refinances to continue over the next several years, the refinance market in general is projected to be down 60% to 70% in 2022. Since few can be immune to that type of decline, we expect our refinance order volumes to continue to experience year over year declines for the remainder of this year.

Our closed orders in home purchase, which today are sourced solely through our Local channel and where the majority of those volumes are not yet on the Doma Intelligence platform, were down 13% YoY driven by lower close rates from orders opened in Q4 in a few purchase markets in the Western US. This temporary decline in close rates was a result of some turnover of sales and escrow officers in select markets as we transformed those branches from traditional modes of customer acquisition and fulfillment of title & escrow to more digitally led acquisition and tech-enabled fulfillment, coupled with the natural lag in new sales hires hitting full productivity. As we embarked on this transformational effort to migrate our Local purchase transactions onto our Doma Intelligence platform we knew it would entail making some necessary changes within our local branches and so these impacts were generally expected and do not affect our goal of getting substantially all of our purchase volume onto Doma Intelligence by the end of next year.

As a reminder, our market share in purchase is less than 1% as of 1Q. Despite the challenges and headwinds the current mortgage market presents, we expect to grow our purchase market share steadily over the next few years as we further shift our focus of investments towards purchase and aggressively deploy our Doma Intelligence technology to this part of the market. We've seen this play out successfully before with refinance transactions in our Enterprise channel.

That said, while it is still early in the year and things could always change for the better, we believe that the challenges that the mortgage market experienced in Q1 will continue through at least the remainder of 2022, which brings me to the second key theme of today's call - we are refocusing resources from other areas of the company to a narrower set of strategic initiatives that will ensure we rise to solve the biggest pain points in a purchase-focused market while also keeping the company on our previously communicated timeline to achieve adjusted EBITDA profitability in 2023.

We remain confident in our overall strategy to disrupt traditional title and escrow, particularly because in a rising interest rate environment where the market shifts dramatically to purchase mortgage originations - every dollar counts. This means that all parties along the residential real estate value chain, from lenders to real estate professionals to consumers, become significantly more sensitive to having a better, faster and more affordable title and closing experience, which is of course our core value proposition. The current market environment confirms that we have been focused on the right areas in terms of the long-term investments that we started to make last year on home purchase and that we are accelerating this year.

As we disclosed during our previous earnings call in February, we started moving purchase volume in our Local channel to the Doma Intelligence platform near the end of last year. We continue to make steady progress on this migration and are focused on optimizing for the best possible closing experience for the homeowner. In addition to our efforts in our Local channel we have also shifted resources to accelerate development of a broader set of solutions which provide us with more entry points into order acquisition for the purchase market beyond the real estate agent - who has historically been our primary target.

Re-focusing our resources on a narrower set of priorities means we've also had to re-examine our expense base, which brings me to the third theme of today's call. We've recently made significant reductions to our cost structure across every part of the company in service of enabling us to execute more nimbly and preserving our healthy cash position.

In order to align our cost structure with reduced refinance volume and our investment in moving purchase transactions onto the Doma Intelligence platform, last week we took an action to significantly lower our expense base by reducing our workforce by 15%. This reduction in force primarily impacted our fulfillment organization - of the 310 total impacted associates, 259 were associates within our fulfillment organization, representing an overall 28% reduction to that group. We expect that this reduction will result in a charge of $4 million in the second quarter and will generate annualized cost savings of $30 million. This will help protect our cash runway and ensure that Doma stays financially nimble.

Additionally, with regard to our previously stated plans to expand into adjacent markets such as home warranty and appraisal, we've both restructured and significantly streamlined our capital deployment for these two areas, and have started to explore partnerships as a means to de-risk our speed to market.

While we believe we’ve taken the right actions to respond to extraordinary market movement over the past 90 days, we will continue to match our cost structure and our pace of investment to areas that we believe will drive the most long term value for shareholders. We will do this the way we have since we started the company nearly 6 years ago - investing confidently in areas of the business that we know will help transform an industry that is long overdue for change while prudently navigating cyclical or seasonal market dynamics inherent in this industry.

In closing, I want to emphasize that the very challenges we’re facing on the macro front are one of the strongest and most compelling reasons Doma exists. For far too long, companies in the title and escrow industry (not to mention the broader US mortgage market) have put off making investments in modern day technology to make the closing process simpler and more affordable because it would be difficult for them to invest pre-emptively ahead of, and through, the ups and downs of the mortgage market. We believe that Doma is better equipped than anyone else in our industry to handle these challenges due to our technology-first approach with Doma Intelligence, and the superior value customers and referral partners derive from our product. It is during challenging times that the best companies stay firmly committed to the areas of investment that will define their story - and ours is a story of driving change through technology. And perhaps it goes without saying, but this story wouldn’t be possible without the incredibly hard work and dedication of our team - working tirelessly to deliver a transformed experience of buying or selling a home in an instant. I want to close by thanking this team for remaining committed to executing our plan to realize our vision. I’ll now turn it over to Mike Smith to walk in more detail through our financial results and provide an update to our 2022 FY guidance.

Mike Smith, *Interim Chief Financial Officer, Doma*
Thanks Max and good afternoon everyone. I am delighted to talk to you today as Doma’s Acting Chief Financial Officer. I’m very excited to fill this interim role, having done so at a prior public bank and look forward to working more closely with Max and our leadership team.

Let’s begin by recapping our financial results for the first quarter. In 1Q22 we reported revenue on a GAAP basis of $112 million, down 12% from the first quarter in 2021. As a reminder, GAAP revenue includes the portion of Third-Party Agent premiums that Doma does not retain, so we focus on Doma’s Retained Premiums & Fees - or RPF - which excludes the premium retained by third-party agents. We believe this is a much better representation of Doma’s underlying top-line performance. With this in mind, RPF was $52 million in the first quarter of 2022, or 10% lower than last year when refinancing activity, at that time, was robust, driven by historically unprecedented low rates.

As Max mentioned, our refinance closed orders were down 20% and our purchase closed orders were down 13% year over year, and both of these trends impacted RPF in the first quarter. While the lower, overall mortgage market activity, negatively impacted our top-line growth this quarter, our total market share grew from 1.0% in 1Q21 to 1.4% in 1Q22. As we anticipate the mortgage market tightening further in the months ahead, we believe we will be able to continue increasing our market share in both the refinance and purchase markets, as our value proposition becomes even more attractive to lenders and real estate professionals who are looking to close loans faster and minimize costs. This favorable market share dynamic will help offset some of the expected volume pressures associated with a declining mortgage market.

Shifting now to profitability, our primary measure is Adjusted Gross Profit, which was $10 million in the first quarter of 2022, down 64% year over year. Adjusted Gross Profit as a percentage of RPF was 20% in 1Q22, compared to 51% in 1Q21. The primary driver of the decline in Adjusted Gross Profit as a percentage of RPF was excess fulfillment staff to support anticipated growth and the migration of transactions to the Doma Intelligence platform - a dynamic we previewed in our prior two earnings calls. Also affecting profitability was a 16% decline in total closed orders and a higher mix of Enterprise transactions which carry a significantly lower price point vs. our Local channel. We believe that the cost reduction actions that we undertook last week, which meaningfully reduce our expense base on a go forward basis, will address the decline in Adjusted Gross Profit that we experienced this quarter.

Adjusted EBITDA in the quarter was negative $45 million, compared to negative $3 million a year ago. The year over year decrease was driven by both the investments we made in the fourth quarter of last year in customer acquisition, R&D, and other G&A in support of operating as a Public company, as well as the investments we highlighted we would be making at the beginning of this year to accelerate the expansion of our differentiated product and capabilities for home purchase. We now believe, more than ever, that it is strategically important for us to continue to invest in growing our footprint in the purchase market to drive long-term growth and margin improvement, and we are balancing those investments with full recognition that we need to manage expenses to remain centered on our path to profitability. We expect this quarter to be the largest Adjusted EBITDA loss for the year, with subsequent quarters improving as we more aggressively manage expenses. As Max mentioned earlier, we are firmly committed to getting to Adjusted EBITDA positive in 2023. Which takes me to my next topic - prioritizing the deployment of our capital.

Last year, as part of going public we raised a significant amount of critical new capital to fuel our strategic plan and position us to deliver long-term, sustainable value for our shareholders. We will be protecting this capital and prioritizing its use to focus on our core business and, more specifically, on our accelerated penetration into the purchase market. In this current environment, our investments in Doma Intelligence solutions for the home purchase market become even more critical. Nonetheless, given our outlook for the mortgage market overall in 2022, we are being prudent in our spend in other parts of the business to preserve our healthy cash position and ensure we have more than enough runway to deliver on our plan. This has entailed making some tough decisions, which have included re-scoping our entry into the appraisal and home warranty adjacent markets to make better use of partner resources and provide better returns on investment. In addition, we’ve taken measures to right size our cost structure – which included a reduction in force last week. We believe these measures are necessary and will better position us to adapt to both the challenges and opportunities that arise in the future.

I would like to wrap up my prepared remarks with our updated guidance for full year 2022. Given the faster-than-expected rise in mortgage rates and the likelihood that they may continue to increase for the remainder of this year, we expect mortgage volumes for both purchase and refinance to continue to deteriorate further than today’s industry forecasts. As such, we think it is prudent to reduce our full-year 2022 RPF guidance to a range of $220 million to $240 million. Despite this more muted, top-line outlook, we are confident in our ability to better control the profitability side of the equation, and we are taking meaningful actions to protect our bottom line results. Because of this, we expect to exit the year at or near the same adjusted EBITDA run rate as in our original guidance, keeping us on a similar overall timing and trajectory on our path to profitability. However, given the effects of the rapid market deterioration we are expecting, leading to higher than anticipated losses in the first half of the year, we are revising our full year adjusted EBITDA range to negative $100 million to $120 million.

I will now pass the call back to Max for closing remarks before we open the call to questions.

Max Simkoff, *Chief Executive Officer, Doma*
Thanks, Mike, and thanks again to the entire Doma team for their dedication and focus on executing our vision to make buying or selling a home faster, more efficient and more affordable. Operator, we're now ready for questions.

Operator
(Operator Instructions) Our first question will come from the line of Matt Carletti from JMP.

Matthew John Carletti ***JMP Securities LLC, Research Division - MD & Equity Research Analyst***
Max, I was hoping you could give us some color on, as you guys push harder into the local market and specifically purchase transactions, just kind of the feedback loop there, what the feedback has been from the producers of the business and so forth and kind of just what your assessment has been of kind of how that intelligence platform has kind of transported from kind of the proof of concept that you had on the enterprise refi side to what you're doing on the local market side that has a higher purchase contingent?

Maxwell Simkoff ***Doma Holdings Inc. - Founder, CEO & Director***
Sure. Yes. So look, in terms of feedback that we've gotten from the local businesses, we've started this transition, I think it's fair to say that the majority of folks in the local business are really excited about this and super supportive of this move of local transactions to the Doma Intelligence platform. And keep in mind that we already migrated a meaningful amount of refinance volume from our local division over the past year to the Doma Intelligence platform. So we kind of prime the pump a little bit with that first phase of migrating refinance volume. And so we're really now focused on making sure that we get things right. And I think you mentioned the kind of iterative reaction from these folks. I think it's a good phrase is that we're iteratively taking feedback from the people in these local offices where we're moving volume and incorporating that feedback to make sure that we get it right and roll this out versus onboarding too quickly at the expense of quality.

Matthew John Carletti ***JMP Securities LLC, Research Division - MD & Equity Research Analyst***
Okay. Great. And then just one other one, kind of a smaller item in the quarter, but just curious to get your thoughts on -- I saw the recent announcement by Fannie Mae about allowing the use of attorney opinion letters as an alternate to title insurance and certain limited circumstances. What's your view on that? And do you see that as really being material in any way?

Maxwell Simkoff ***Doma Holdings Inc. - Founder, CEO & Director***
Sure. Yes. So Fannie did announce that, yes, they will be accepting an alternative title option, which is these attorney opinion letters. And it's probably worth mentioning that Freddie Mac introduced a similar concept a few years back. I think didn't have much take. So it doesn't really present much of a challenge to our product and strategy. What I will say that is really positive about this is that we are generally happy to see Fannie and the GSEs moving in the direction of seeking more efficient and affordable title solutions, particularly for folks who are first-time homebuyers and particularly against the backdrop of a market where the cost of housing is going up dramatically.

I think that movement towards solutions like that actually reinforces the value of our Doma intelligence products and the reality that we're best positioned to deliver these solutions against a framework of faster, more efficient and more affordable. So we were actually encouraged to see that Fannie and the GSEs are really starting to adopt more of these streamlined solutions.

Operator
Our next question will come from the line of Tom White from D.A. Davidson.

Thomas Cauthorn White ***D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst***
Two, if I could. Max, so Doma hasn't yet kind of experienced a protracted downturn in the U.S. housing market. And if that's potentially sort of where we're headed, can you maybe talk a little bit about how your business is built to withstand that and adapt in the event that volumes really dry up and potentially, we see elevated loss ratios in title and stuff like that?

Maxwell Simkoff ***Doma Holdings Inc. - Founder, CEO & Director***
Sure, absolutely. So I think we've reacted pretty quickly to what we see as a really a longer-term market downturn by, as we've mentioned, meaningfully reducing our expense base and now reprioritizing the deployment of our capital. while still obviously staying committed to the areas of investment that we think are super important to execute our vision and drive future growth. And I think that the decisions that we've made to support the business and our same previously communicated path to profitability are the right ones.

That said, if we see further deterioration in the mortgage market, we will respond accordingly. And you mentioned title claims. In periods of economic decline and when the housing market gets stressed, you do typically see an increase in title claims from more normal market scenarios, but they still represent a relatively small percentage in comparison to premiums written. I think just for reference, in the kind of 2008, 2009 time period, the claims loss rate for our underwriting business increased from an average of roughly 3% prior to that period, I think, right around 7%. So I think that with a healthy margin, a higher claims loss rate wouldn't jeopardize our underwriting business' ability to continue generating profits.

And then the last thing I'll mention that I think is really different this time around and is important is that mortgage underwriting standards have really significantly strengthened since the last mortgage crisis. So we don't think that a potential market downturn will be similar to that one in kind of the behavior of the underlying credit quality. And as such, shouldn't result in nearly as many delinquencies and pull through the claims activity. And then again, just it should be noted that we've historically outperformed the industry on our loss ratio even in times of economic decline. So I think we are certainly prepared to take further action if we see further deterioration, but we feel like the actions we've taken recently and a more conservative outlook are the right approach to take.

Thomas Cauthorn White ***D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst***
Okay. Great. And then just a quick follow-up. With regards to the refocusing of resources and the rationalizing of the cost structure, can you maybe comment on how that might impact the timetable for the full rollout of Doma Intelligence to the local platform? I guess when I first read the press release, I hope maybe that meant sort of an accelerated timetable. But I think you mentioned maybe a full rollout by the end of next year. So maybe just kind of walk through that a little bit?

Maxwell Simkoff ***Doma Holdings Inc. - Founder, CEO & Director***
Sure. Yes. Just to be clear, we have reprioritized and redeployed uses of capital so that we stay on track for the same previously communicated time line to getting the majority of our purchase volume onto Doma Intelligence by the end of next year. So these things are connected in the sense that we felt that it was most important given the current market backdrop and trying to take a more conservative approach and make more prudent use of our capital to make sure that we were still on track to achieve that originally communicated goal.

I think you mentioned whether it'd be possible to use some of the reprioritization or redeployment of capital to accelerate that timetable. Look, I really think that in this current macro housing backdrop that we should just be more prudent in our use of capital and be careful in how we're deploying that to achieve our same previously communicated time line. And if we were going to accelerate that time line, frankly, it would mean a higher deployment of significant upfront investments, which just against the current backdrop, we don't think is worth the risk. So we believe now more than ever that we should just be carefully managing our expenses while still sticking to the same previously communicated time line that we mentioned in our last earnings call.

Operator
Our next question will come from the line of Jason Helfstein from Oppenheimer.

Jason Stuart Helfstein ***Oppenheimer & Co. Inc., Research Division - MD & Senior Internet Analyst***
So a big theme with home buying now, which is how hard it is to buy home and you're seeing all these businesses kind of start-up businesses and businesses adding real estate businesses, adding businesses to like pre-fund offers, right? And do anything to like get the consumer to be in a position to purchase and do it faster. So one, is there a way to like leverage that to benefit Doma? And then #2, to the extent that there's been -- I guess, can you talk about bringing the Doma Intelligence platform to local for purchase? Like obviously, this was a transition. I mean, would you say like this is taking a little longer or you had some issues or like you knew this would be a transition and it would take time?

Maxwell Simkoff ***Doma Holdings Inc. - Founder, CEO & Director***
Yes. So let me answer those questions, Jason, in reverse order. On the second question you asked, I would say we knew this would take time, and we are making good progress. So I don't think there's anything particularly out of the ordinary there. And to the contrary, I'd say that kind of related to Tom's question a little bit, it is because it's important that we get this right, that we felt it was prudent to reprioritize our use of capital to make sure that we get that right. So that's the answer to the second question.

On the first question, is really astute observation, and it's one that we have also had a lot of dialogue about internally. And the short answer is that we do feel that we are uniquely positioned vis-a-vis how we are interacting with both real estate agents and consumers who are buying and selling homes to potentially take advantage of opportunities to work with or maybe even someday offer a solution that could allow those consumers to transact more efficiently and more competitively. And I think we're -- we want to make sure that we're thoughtful about how we approach either participating in the solution to that problem or working with others to solve that problem because as you mentioned, there are a number of other companies out there, folks that are called power buyers or power lenders, for example, that are finding creative ways to solve the pain point that is the difficulty of coming up with the cash to buy a home in this market or remain competitive in that process.

So a long-winded way of saying, there likely are ways for us to capitalize on our significant scale and our place in the transaction, interacting with customers to offer solutions there. But it's still -- we're still at the stage where we're evaluating those opportunities and can give an update if and when we've identified something to do.

Operator
(Operator Instructions) Our next question will come from the line of Ryan Gilbert from BTIG.

Ryan Christopher Gilbert *BTIG, LLC, Research Division - Director and Homebuilding, Real Estate Tech & Specialty Finance Analyst*
So I guess, given the reprioritization of capital, can you give us your updated thoughts on the 2022 and 2023 market share targets? And then also how we should be thinking about closed order growth in the enterprise business?

Maxwell Simkoff *Doma Holdings Inc. - Founder, CEO & Director*
Sure. So I believe that we've just now this quarter started breaking out our market share, our total market share, which again increased from 1% in 1Q '21 to 1.4% in 1Q '22. I think to speak to the 2 dimensions that you asked about on enterprise, clearly, that part of our business is substantially all refinanced. And so broadly speaking, we expect to continue taking share in that market by virtue of the fact that we are adding new what we call referral partners. These are primarily bank and nonbank mortgage originators, and we've added 11 of them in Q1. So we expect to continue taking share there, both by adding new referral partners and expanding our share of wallet with those referral partners, we are seeing great value from the solution. That said, the refinance market overall is expected to continue declining, right? So while we expect to continue taking share, it will be taking share on the refinance side against the declining market.

And then on the purchase side, our goal and our expectation is to accelerate our share capture in that market as we bring more and more of our local volume onto the Doma Intelligence platform. And as we start to see more of the sales team that we've made a significant investment in over the last, call it, 6 months come to fruition. So we've hired a pretty significant number of new sales folks, and we put a fair amount of investment into a broader kind of customer acquisition improvement strategy, not only around enabling those salespeople better, but also in generating and converting leads with that sales team better. As we see more of those folks ramp up to productivity, we would expect that to also have a positive impact on taking share in the purchase market.

Ryan Christopher Gilbert *BTIG, LLC, Research Division - Director and Homebuilding, Real Estate Tech & Specialty Finance Analyst*
Okay. Great. And I guess along those lines, can you share April trends just in terms of purchase and refinance order volume and then also the extent to which the disruption that you saw in close rates has proven temporary? Or is that still an issue in 2Q?

Maxwell Simkoff *Doma Holdings Inc. - Founder, CEO & Director*
Yes. So let me answer the second one first, and then maybe I'll turn it over to Mike to talk broadly about what we'd expect to see. I would say, again, from an overall growth perspective in the quarter, we obviously don't break out monthly open or closed order trends. But to answer the second part of your question, the decline in close rates on purchase orders opened in Q4 that we saw in Q1 really was, we think, the result of more of an isolated event of attrition of some salespeople and escrow officers in a couple of key Western markets. So we don't expect for that to continue. We think we're mostly

through that. And again, we've hired a lot of really awesome new people, both in sales and actually also in escrow as well who are more aligned with the vision of the company and what we're trying to do. So that we do expect to be a limited onetime event.

Mike, do you want to comment on just overall expected growth in Q2 trend versus Q1? I know we don't get into the monthly.

Mike Smith; Interim Chief Financial Officer
Yes, absolutely, Max. Yes. I mean we've seen some really nice green shoots here in April and for Q2. And of course, we don't break it out. But the one thing I might look back at is if we look back at Q1 and we look at our adjusted EBITDA loss, we expect that to be really the largest of the year. And we expect to see moderate sustained growth in our RPF over the next couple of quarters, including Q2.

Operator
I'm not showing any further questions in the queue. I'd like to turn the call back over to Max for any closing remarks.

Maxwell Simkoff *Doma Holdings Inc. - Founder, CEO & Director*
Thanks. Yes. Thanks all for attending and look forward to giving you an update on our progress next quarter.

Operator
And this concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.