



The Real Brokerage Inc. Announces Second Quarter 2022 Financial Results

August 11, 2022

TORONTO & NEW YORK--(BUSINESS WIRE)--Aug. 11, 2022-- The Real Brokerage Inc. ("**Real**" or the "**Company**") (NASDAQ: REAX) (TSX: REAX), an international, technology-powered real estate brokerage, is pleased to announce it has filed its financial results for the three and six months ended June 30, 2022.

Additional information concerning Real's unaudited consolidated financial statements and related management's discussion and analysis for the six months ended June 30, 2022 can be found on the Company's profile at www.sedar.com.

Second Quarter Financial Highlights

- Revenue increased 386% year-over-year to \$112.4 million.
- Gross profit grew 283% year-over-year to \$9.3 million.
- Net operating loss was \$4.2 million, compared to \$2.8 million in Q2 2021.
- Operating expense as percentage of revenue decreased to 12%, compared to 23% in Q2 2021.
- Net loss attributable to owners of the Company was \$4.2 million, compared to \$2.9 million in Q2 2021.
- Loss per share was \$0.02, compared to \$0.03 in Q2 2021.
- Adjusted EBITDA loss was \$2.0 million compared to an Adjusted EBITDA loss of \$0.5 million in Q2 2021.
- Cash flow from operations increased 86% year-over-year to \$1.3 million, while free cash flow increased 49% year-over-year to just over \$1.0 million.
- As of June 30, 2022, the Company held \$32.5 million in cash and cash equivalents and an additional \$4.4 million held in investments in securities.
- The Company repurchased \$1.2 million of common shares pursuant to its normal course issuer bid.

"We are pleased that Real continued to grow at a tremendous pace above many of our competitors in the industry during the second quarter," said Tamir Poleg, Chairman and Chief Executive Officer. "While we remain cautious in the current economic environment, we believe our strong agent count growth will likely offset any pressure from a potential market downturn. Our agent compensation structure along with our best-in-class technology and enterprising culture make us the right platform for agents through market cycles."

Operational Highlights

- Surpassed 5,600 agents at the end of Q2 2022, a 129% year-over-year increase.
- Subsequent to the end of the quarter in August, we reached the 6,000 agent milestone.
- The value of completed real estate transactions grew 357% year-over-year to \$4.1 billion.
- For agents that closed a deal during Q2, commission revenue per agent was slightly over \$41,000. These agents on average closed 3.8 transactions during the quarter.
- Operating expenses per transaction, excluding revenue share, declined to \$892 in Q2 2022 from \$1,180 in Q1 2022.
- Completed transactions grew 63% to over 10,000 in Q2 2022, compared to the prior consecutive quarter.
- Real expanded into Mississippi over the quarter to offer real estate brokerage services in 44 U.S. states, the District of Columbia and Alberta, Canada and Ontario, Canada as of June 30, 2022.
- As of June 30, 2022, Real's efficiency ratio, which is calculated as full-time employees (excluding Real Title) divided by the number of agents, increased to 1:62 from 1:55 at the end of Q1 2022.

The Company will discuss the results on a conference call and live webcast today at 11:00 a.m. EST.

Conference Call Details:

Date: Thursday, August 11, 2022

Time: 11:00 a.m. EST

Dial-in Number: North American Toll Free: 877-545-0523

International: 973-528-0016

Access Code: 611683

Webcast: <https://www.webcaster4.com/Webcast/Page/2699/46223>

Replay Number: North American Toll Free: 877-481-4010

International: 919-882-2331

Passcode: 46223

Webcast Replay: <https://www.webcaster4.com/Webcast/Page/2699/46223>

Non-IFRS Measures

This news release includes reference to "Adjusted EBITDA", which is a non-International Financial Reporting Standards ("IFRS") financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Adjusted EBITDA is used as an alternative to net income by removing major non-cash items such as amortization, interest, stock-based compensation, current and deferred income tax expenses and other items management considers non-operating in nature. Adjusted EBITDA has no direct comparable IFRS financial measures. The Company has used or included this non-IFRS measures solely to provide investors with added insight into Real's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles the non-IFRS measure to the most comparable IFRS measure for the three and six months ended June 30, 2022. This measure does not have any standardized meaning under IFRS and is not a measure of financial performance under IFRS, and therefore, may not be comparable to similar measures presented by other companies.

The Real Brokerage Inc

Interim Condensed Consolidated Statement of Financial Position

(Expressed in thousands of U.S. dollars)

UNAUDITED

	June 30, 2022 December 31, 2021	
Assets		
Cash	32,520	29,082
Restricted cash	-	47
Investment securities available for sale at fair value	4,429	8,811
Trade receivables	240	254
Other receivables	66	23
Prepaid expenses and deposits	1,299	448
Current assets	38,554	38,665
Intangible assets	395	451
Goodwill	12,527	602

Property and equipment	754	170
Right-of-use assets	67	109
Non-current assets	13,743	1,332
Total assets	52,297	39,997
Liabilities		
Accounts payable and accrued liabilities	12,124	6,604
Other payables	15,103	3,351
Lease liabilities	86	91
Current liabilities	27,313	10,046
Lease liabilities	-	40
Accrued stock-based compensation	6,319	2,268
Warrants outstanding	254	639
Non-current liabilities	6,573	2,947
Total liabilities	33,886	12,993
Equity (Deficit)		
Share premium	63,537	63,397
Stock-based compensation reserve	10,836	6,725
Deficit	(38,648)	(30,127)
Other Reserves	(346)	(347)
Treasury Stock, at cost	(17,103)	(12,644)
Equity (Deficit) attributable to Owners	18,276	27,004
Non-controlling interests	135	-
Total liabilities and equity	52,297	39,997

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Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

(Expressed in thousands of U.S. dollars)

UNAUDITED

Three months ended June 30, Six months ended June 30,

2022	2021	2022	2021
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Revenue	112,356	23,095	174,005	32,404
Cost of Sales	103,064	20,667	158,851	28,739
Gross Profit	9,292	2,428	15,154	3,665
General and administrative expenses	6,116	2,819	11,490	5,124
Marketing expenses	5,700	1,214	9,416	1,864
Research and development expenses	1,680	1,185	2,719	3,180
Operating Loss	(4,204)	(2,790)	(8,471)	(6,503)
Other income	(257)	-	(436)	-
Finance costs, net	208	158	372	268
Net Loss	(4,155)	(2,948)	(8,407)	(6,771)
Non-controlling interest	53	-	114	-
Net Loss Attributable to Owners of the Company	(4,208)	(2,948)	(8,521)	(6,771)
<i>Other comprehensive income/(loss):</i>				
Unrealized losses on available for sale investment portfolio	(116)	-	(393)	-
Foreign currency translation adjustment	190	-	394	-
Comprehensive Loss Attributable to Owners of the Company (4,134)		(2,948)	(8,520)	(6,771)
Comprehensive Income Attributable to NCI	53	-	114	-
Comprehensive Loss	(4,081)	(2,948)	(8,406)	(6,771)
<i>Loss per Share</i>				
Basic and diluted loss per share	(0.02)	(0.03)	(0.05)	(0.06)
Weighted-average shares, basic and diluted	178,330	110,655	178,330	110,655

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Net Income (Loss) to Adjusted EBITDA Reconciliation

(Expressed in thousands of U.S. dollars)

UNAUDITED

Three months ended June 30, Six months ended June 30,

	2022	2021	2022	2021
Net Income (loss)	(4,134)	(2,948)	(8,520)	(6,771)
<i>Non operating expenses</i>				
Finance costs	377	158	879	268

Depreciation	135	44	138	86
Stock-based compensation	1,446	2,045	3,231	4,793
NASDAQ listing expenses	-	145	-	145
Restructuring expenses	-	60	-	60
Extraordinary expenses	155	-	281	-
Adjusted EBITDA	(2,021)	(496)	(3,991)	(1,419)

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Interim Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

UNAUDITED

Three months ended June 30, Six months ended June 30,

	2022	2021	2022	2021
Cash flows from operating activities				
Loss for the period	(4,155)	(2,948)	(8,407)	(6,771)
Adjustments for:				
– Depreciation	135	44	138	86
– Equity-settled share-based payment transactions	274	1,868	1,211	4,616
– Unrealized gain and loss on short term investments	(277)	-	-	-
– Gain on short term investments	(62)	-	(135)	-
– Finance costs (income), net	100	158	209	268
	(3,985)	(878)	(6,984)	(1,801)
Changes in:				
– Restricted Cash	47	-	47	-
– Trade receivables	111	518	14	(92)
– Other receivables	21	1	(43)	198
– Prepaid expenses and deposits	149	(12)	(851)	(86)
– Accounts payable and accrued liabilities	4,071	622	5,520	2,429
– Stock Compensation Payable (RSU)	2,481	205	4,051	312
– Other payables	(1,583)	250	11,752	256
Net cash provided by (used in) operating activities	1,312	706	13,506	1,216
Cash flows from investing activity				

Purchase of property and equipment	(249)	(29)	(625)	(43)
Acquisition of subsidiary	-	-	(7,445)	(1,100)
Net cash provided by (used in) investing activity	(249)	(29)	(8,070)	(1,143)
Cash flows from financing activities				
Investment in securities	3,989	(8,857)	3,989	(8,857)
Proceeds from exercise of Warrants	-	26,475	-	26,475
Purchases of Common Shares for Restricted Share Unit (RSU) Plan (1,180)		(919)	(5,692)	(919)
Proceeds from exercise of stock options	24	10	47	10
Payment of lease liabilities	(22)	(21)	(45)	(41)
Cash distribution for non-controlling interest	(43)	-	(43)	-
Net cash provided by financing activities	2,768	16,688	(1,744)	16,668
Net change in cash and cash equivalents	3,831	17,365	3,692	16,741
Cash, beginning of period	28,941	20,527	29,082	21,226
Fluctuations in foreign currency	(252)	12	(254)	(63)
Cash, end of period	32,520	37,904	32,520	37,904
Supplemental disclosure of non-cash activities				
Cash grants payable as part of Expetitle acquisition	-	-	75	-
Share-based compensation as part of Expetitle acquisition	-	-	4,325	-
Release of vested common shares from benefits trust	764	-	1,326	-

Forward-Looking Information

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “likely” and “intend” and statements that an event or result “may”, “will”, “should”, “could” or “might” occur or be achieved and other similar expressions. These statements reflect management’s current beliefs and are based on information currently available to management as at the date hereof. Forward-looking information in this press release includes, without limiting the foregoing, expectations regarding Real’s growth and the business and strategic plans of the Company.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to Real’s business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Real considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. These factors should be carefully considered and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, Real cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release, and Real assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

About Real

The Real Brokerage Inc. (NASDAQ: REAX) (TSX: REAX) is revolutionizing the residential real estate industry by pairing best-in-class technology with the trusted guidance of the agent-led experience. Real delivers a cloud-based platform to improve efficiencies and empower agents to provide a seamless end-to-end experience for homebuyers and sellers. The company was founded in 2014 and serves 44 states, D.C., and two Canadian

provinces with over 6,000 agents. Additional information can be found on its website at www.onereal.com.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20220811005027/en/>

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