Transcript of
The Real Brokerage, Inc.
The Real Brokerage Second Quarter 2023 Earnings Call
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Participants

Jason Lee - Vice President, Capital Markets & Investor Relations, The Real Brokerage, Inc.
Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.
Michelle Ressler - Chief Financial Officer, The Real Brokerage, Inc.

Analysts

Darren Aftahi - ROTH MKM
Stephen Sheldon - William Blair & Company
David Marsh - Singular Research
Tom White - D.A. Davidson

Presentation

Operator

Good day, everyone, and welcome to The Real Brokerage Second Quarter 2023 Earnings Call. At this time all participants have been placed on a listen-only mode and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, Jason Lee. Sir, the floor is yours.

Jason Lee - Vice President, Capital Markets & Investor Relations, The Real Brokerage, Inc.

Morning, everyone, and thank you for joining us today for Real's second quarter 2023 earnings call. With me on the call today are Tamir Poleg, our Chairman and Chief Executive Officer; and Michelle Ressler, our Chief Financial Officer. This morning, we'll file this financial statements and management discussion and analysis for the second quarter ended June 30, 2023, on SEDAR and EDGAR. These documents along with the accompanying earnings press release to be found on both SEDAR and EDGAR.

Before I turn the call over to Tamir, I'd like to remind everyone that the company will be making statements about its future results and other forward-looking statements during this call. Actual results may differ materially from these forward-looking statements and the risk factors that could cause these differences are detailed in our Canadian continuous disclosure documents and SEC reports. It disclaims any intent or obligation to update these forward-looking statements, except as expressly required by law.

Now with that, I'd like to turn the call over to Chairman and Chief Executive Officer, Tamir Poleg. Tamir, please proceed.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Good morning, and thank you, Jason. During the second quarter, Real once again delivered best-in-class growth with our agents closing a record number of transactions, translating to record revenue and adjusted EBITDA profitability. This comes despite the challenging market backdrop that has resulted in many other brokerages posting year-over-year declines. Meanwhile, we see our agent productivity stabilizing and believe there is further upside as the market volume rebounds. We are pleased to have achieved the important adjusted EBITDA profitability milestone as communicated last quarter.

This is the direct result of the impressive agent growth we've experienced, our hard focus on maximizing our already-efficient cost structure over the past year and the revenue-generating changes we made to our model earlier this year. Due to the strong results this quarter and the strength of our platform, we anticipate remaining adjusted EBITDA positive in the back half of the year. To provide context to our operating performance during the quarter, let's review the state of the market.

Elevated mortgage rates continued to depress residential housing activity due to affordability concerns on the buy side and the reluctance to give up low-rate mortgages on the supply side. U.S. existing home sales were down 21% year-over-year and 2% quarter-over-quarter on a seasonally adjusted basis. However, our strong agent growth in conjunction with the seasonal upswing in home sale volume resulted in another record-beating quarter for Real.

Revenue for the quarter topped $185 million, which represents a 65% year-over-year increase and a 72% sequential increase from the prior quarter. Against this backdrop, we're proud to be the premier destination for productive agents. During the quarter, we grew our agent base by nearly 1,500 agents, bringing the total number on our platform to just under 11,500 agents. This represents a 105% increase from the second quarter of 2022. Although per-agent productivity still lags where we were in the first half of 2022, we saw a meaningful rebound that drove volume for the quarter to a record 17,537 close transaction, which is 72% higher compared to the same quarter of 2022 and 60% higher sequentially.

We also continue to expand our geographic footprint. During the quarter, we opened in Delaware and in South Dakota, in the U.S. as well as Manitoba in Canada. We now have agents operating in 47 states, Washington D.C. and four Canadian provinces. We expect to be in all 50 states by the end of the year. While most of our brokerage growth ahead lies in expanding in our existing markets, we are excited to be nearing this important operational milestone.

Agent churn was 6.5% for the quarter, an improvement from 8.3% during the prior consecutive quarter and 7.2% in Q2 2022. Our revenue churn, which we define as the revenue generated by churned agents over the prior two quarters improved to 3.8% from 4.3% in Q1 2023, but remains above 2.1% in Q2 2022. To put this into context, the impact from churn is incredibly low compared to the impact of the impressive inflow of agents joining our platform. Nonetheless, we have also been actively reviewing our onboarding and training procedures to make sure that every agent that joins our platform is empowered from day one to be successful at Real.

The bottom line is that we are focused on developing programs and resources to help our agents run their businesses effectively. In just the past few months, we've launched a quarterly agent recognition program to celebrate success and foster community. We have overhauled our marketing center to make it easier for agents to discover and distribute content, and we launched a new agent onboarding program with weekly training. I would also like to provide an update on several of our important initiatives.

Yesterday, we announced the full public rollout of Leo, our new AI-powered virtual concierge that is fully integrated into our recent transaction management platform. Leo can answer agent questions in real-time 24/7, leveraging Leo's extensive proprietary knowledge base to create a completely customized experience. This release has been gone through an alpha testing phase with a select group of agents, and we are excited to now offer this to all agents. This will save them time and make our already lean support team even more efficient which fundamentally aligns with our core philosophy of becoming the premier technology-driven brokerage by building scalable solutions for our agents.

We'll continue to improve and add features to Leo, ensuring that our agents and employees realize the full potential that AI has to offer. We are also working hard to lay the foundation for our industry-changing mature experience we've spoken about in prior calls. Last year, we acquired Expetitle and LemonBrew Lending, which we have rebranded as Real Title and One Real Mortgage, respectively.

These acquisitions serve as the bedrock to the one-stop shop home buying experience we are developing. While the revenue contribution from these divisions is still relatively small, they are essential building blocks and now growing fast. We are pleased to announce that we expect to be releasing the initial version of our consumer-facing app with an integrated mortgage application process and our annual RISE Conference taking place from October 22 through the 24th.

As I've said before, our one-stop shop vision truly represents a revolution in the way people will buy and sell homes. We view this initial app release as the first step in a multiyear journey and the timeline we follow reflects our commitment to making sure that we build this correctly from the onset. We are excited to share the app, and we'll have more to share on several other important initiatives at the conference in October.

And with that, I'll turn it over to Michelle for the financial update. Michelle?

Michelle Ressler - Chief Financial Officer, The Real Brokerage, Inc.

Thank you, Tamir, and thank you, everyone, for joining us. I'll start by reviewing some of our key financial results for the second quarter. The total value of homes transacted over our platform surged nearly $7 billion in the second quarter, which represents a 66% year-over-year increase. The total number of transactions on our platform during the quarter increased to 17,537, a 72% year-over-year increase.

The median sales price of properties sold by our agents was $369,000, which represents a modest 1.6% decline compared to the same quarter in 2022, in line with the broader market trend. Revenue increased to $185 million, a 65% increase compared to a year ago. Meanwhile, gross profit increased 91% year-over-year to $17.8 million. Our gross margin expanded year-over-year to 9.6% from 8.3% in Q2 2022. The improvement from a year ago reflects a combination of greater fee income associated with the model changes we outlined on last quarter's call as well as the still small but growing revenue from our higher gross margin Title and Mortgage businesses.

As of June 30, 2023, 10.2% of our agents had exceeded their commission cap, a notable increase from 8.2% as of March 31, but still short of the 10.5% level for the same period in 2022. The capped cohort represented 52% of commission revenue in Q2 2023 compared to 53% in Q2 2022 and 43% in Q1 2023. The fee income is particularly worth highlighting this quarter. While still relatively small as a percentage of total revenue, the income generated by agent fees totaled $1.4 million during the quarter, which represents 121% year-over-year increase and a 49% increase from Q1 2023. Importantly, this is revenue that essentially flows down directly to our bottom line and is reflective of the fee adjustments announced earlier this year.

Meanwhile, the revenue generated by our Title and Mortgage businesses continues to ramp up. We view these businesses as building blocks for a one-stop shop consumer experience and are taking care to execute thoughtfully in how we integrate and expand these operations into our existing platform. We continue to explore other initiatives to enhance our margin that we look forward to sharing more details on in upcoming quarters.

Meanwhile, we saw agent productivity rebound seasonally even as it remains depressed compared with last year. Commission revenue per productive agent, a core measure of agent productivity, rebounded to $34,700 compared to $26,000 in Q1 of 2023, but still behind $41,400 in Q2 of 2022. The number of transactions closed by this cohort improved to 3.4 compared to 2.7 in the prior quarter period and 3.8 in the prior year period. To strip out the effect of new agents joining, we also track the commission revenue per productive agent already on our platform at the beginning of the quarter. This is similar to a same-store sales figure reported by the retail industry.

This cohort closed 4.4 transactions and generated $45,500 on average compared to 4.3 transactions, generating $46,700 in Q2 of 2022. We noted productivity was stabilizing on last quarter's call, and we see considerable product to the upside as market conditions improve. Looking at the geographies we operate in, 9.9% of our U.S. agents ended the quarter with cap status, a slight increase from 9.7% in Q2 of 2022 and up from 8.2% in Q1 of 2023.

Our Canadian cap agents experienced a more meaningful increase with 12.9% ending the quarter with cap status versus 7.9% at the end of Q1 although this is still well below the 20% level in Q2 of 2022. Canada now represents 10% of our agent base, up from 8% one year ago, accounting for 15% of commission revenue in Q2 2023, compared to 18% in Q2 of 2022 and 11% in Q1 of 2023. Our highest-earning elite agents were steady quarter-over-quarter at 0.5% of our agent base, down from 1.6% in Q2 2022.

These agents generated 10% of total commission revenue, up from 8.5% in the prior quarter, but down from 19.4% in Q2 of 2022. The requirement to achieve and maintain this status are reserved for our most productive agents and a sustained period of market weakness is evident in this decline.

In Q2 2023, 56% of commission revenue was generated by our agents representing the buy side, 40% was on the sell side and 4% was from dual agency representation. This has remained relatively unchanged each quarter over the past year and does not include revenue that was book related to agent referrals, which accounts for approximately 2% of the overall total.

Shifting over to OpEx. Our total operating costs for the quarter, including revenue share were $21.5 million. This represents 11.6% of revenue compared with 12% in Q2 2022. Our operating expense per transaction, excluding revenue share, which is a core component of our agent incentives declined 12% year-over-year to $788. We are excited about the significant progress we've made optimizing our cost structure over the past year as the housing market turned negative. While transaction volumes on our platform continue to grow, we look forward to realizing further operating leverage that our lean model provides.

Our revenue share expense, which is our largest operating cost was $7.7 million compared to $4.4 million in the prior year period. Revenue share expense per average agent was $715, down 17% year-over-year from $861. Note that compared to prior earnings calls, this metric is based on the number of average agents during the quarter rather than the total at the end of the quarter as we believe this is more indicative of the underlying trend given the high growth of our agent base.

As a reminder, we treat revenue share as a marketing expense since the benefit of our sponsorship structure not only helps attract new agents, but also drives retention and higher productivity across our platform. Our headcount ratio, which we define as full-time employees, excluding Real Title and One Real Mortgage employees divided by the number of agents that are currently on our platform improved to 1:113 compared to 1:62 in Q2 of 2022, but remains relatively flat compared to 1:114 in Q1 of 2023. While we have continued to experience strong agent growth, we also expanded our hiring going into the quarter, particularly on our technology team as we invest in the next growth phase for Real.

We continue to experience increasing returns to scale for our Brokerage business. The size of our transaction processing team remained at nine employees, unchanged on both a quarter-over-quarter and year-over-year basis. These employees process all 17,537 transactions that closed during the quarter or 1,949 transactions per employee. We don't anticipate needing to make any significant additions as we continue to grow our transaction base. We believe that these metrics best highlight the efficiency and scalability of our platform that is made possible by the strength of our tech stack.

We view this as one of the biggest competitive advantages for our business, and this should become even more apparent as we continue to scale. Real's net loss for the quarter was $4.1 million compared to a $4.2 million net loss in Q2 2022. This translates to a loss per share of $0.02 in both periods. Adjusted EBITDA for the quarter was positive $2.6 million compared to a

$583,000 loss in Q2 of 2022. This represents an inflection point for our company that we have been talking about for several quarters.

Having achieved this milestone, we expect to be adjusted EBITDA profitable for the full-year 2023. Turning to our financial position. Our unrestricted cash and investments balance increased $8.6 million to $28.1 million as of June 30, up from $19.5 million as of March 31. This consists of $17.2 million of unrestricted cash and $10.9 million in short-term investments.

Before I close out my comments, I would also like to note that on July 28, we announced that we intend to voluntary delist from the Toronto Stock Exchange following a review of the costs and benefits of maintaining a dual listing. Our Canadian business is growing rapidly, and we will continue to invest in this region. This consolidation of share trading onto a single exchange simply reflects our dedication to being as cost-conscious and efficient as possible. Shares will be delisted effective as of close of market on August 11, and we'll continue to trade on NASDAQ Capital Market under the same ticker.

This concludes my financial remarks. I will now ask the operator to open up the line for Q&A. Operator, can you please poll for questions?

Operator

Certainly. Everyone at this time, we'll be conducting a question-and-answer session. [Operator Instructions]. Your first question is coming from Darren Aftahi from ROTH MKM. Your line is live.

Q: Hi, guys. Good morning. Nice quarter. Good to see the positive cash flow. A couple, if I may. Just kind of big picture. I think you've added in the last four quarters, like well over 1,500 agents. And I appreciate that your economic model is probably more attractive than some other legacy players in the space. But there are peers that have kind of similar offerings. I guess maybe, Tamir, strategically, one, why do you think you're just seeing so much traction in terms of agent growth when other brokers and brokerages aren't?

And then two, could you maybe talk about the pipeline of some of these bigger agencies that might be coming on in the next six to 12 months and kind of how that compares to the prior 12 months?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Sure. Thank you, Darren. So yes, I think that as we communicated before, we believe that our model is extremely attractive, especially in times like these when transaction volume in the market decreases and agents are just looking for more cost effective solutions that just give them more value at a lower cost. And I think that this is what has been driving more agents to our way. I can tell you that what we've been sensing in the past month or two, is that a lot of those larger teams are now really hurting just because its production and what we're hearing from them is, yes, we are intending to join Real, but first, we want to stabilize our businesses.

So what they're telling us is that they're going to join in September or October, so we do feel that most of the large teams are kind of feeling the pain in the market at the moment. And at the same time, we also see churn of non-productive agents are rising. So for example, last quarter, about 10% of our churn, maybe a little bit more than that were agents that just declared that they are leaving the industry compared to about 4% in the prior quarters. So we do see more agents leaving the industry overall. But in terms of pipeline, we have a very strong pipeline of both individual agents and high performing teams. As you know, we added the biggest performing team so far a couple of weeks ago in California doing over $1 billion in annual sales. So we do see larger teams joining in terms of production, and we have a solid pipeline.

Q: That's helpful. And then maybe just one last one for me, a financial one for Michelle. Maybe my math is correct, thinking group share was roughly $72 million year-on-year. In that yield is like a 6.4% EBITDA yield on that revenue growth. I guess, my question is, is that the type of leverage we can expect from the company going forward, i.e., that 6% yield is a good bogey to kind of use and model? Or are there areas of reinvestment that may lower that number going forward? Thanks.

Michelle Ressler - Chief Financial Officer, The Real Brokerage, Inc.

Hi, Darren. Great to hear from you. Yes, I mean, we've been laying the groundwork but just for profitability for a while. I think that that is a good indicator of where we can expect it to be for the remaining quarters, but there is also a seasonality component to it. So we should take that into account. If you think about OpEx going forward, I think last year, it's down a little bit compared to last year. So it was 11.6% this quarter of revenue compared to 12% in the same quarter last year. So we're tracking a little bit ahead of last year, but you can test that's a good model for OpEx as a percentage of revenue.

Q: Sure. Thank you.

Operator

Thank you. Your next question is coming from Stephen Sheldon from William Blair. Your line is live.

Q: Hey, thanks for taking my questions. First one here, great to hear about the pipeline with larger teams. Also seems like the data implies that your average home price in 2Q transaction volume was up quite a bit sequentially. So I'm curious, are you seeing a move up in the price range of homes that your agents are transacting? And if so, is that something that's just naturally happening? Or is there also any support from adding more agents focused on higher end homes, luxury homes to your platform? Just any detail there.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Yes, thanks, Stephen. Actually, if we compare the average home price sold on our platform last quarter compared to the second quarter of 2022, we see a 0.8% decline. So that's kind of quite in line with the market conditions. We are seeing prices going up naturally. So I expect that the median or average price point will increase accordingly. At the same time, we are seeing more of, let's say, luxury agents joining us. We had a big announcement of a person, an agent called Kofi that joined us last week, huge splash. He's focused on the luxury market, and we think that, that will attract more agents that are just focusing on higher price points. So I wouldn't expect a big jump, but probably kind of a steady increase in the price point that we're handling on the platform.

Q: Got it. That's helpful. And then it sounds like we'll get the full release, the consumer-facing solution here in the fall, which is great. Just curious what the initial feedback you've gotten from those consumers. I think you've been running some beta programs there in recent months. So curious kind of what feedback you've received from consumers that have been participating in that and kind of how you say as you kind of roll this out, what do you think it will allow your company to do?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

I have to say that we are extremely excited about the consumer-facing app that we're building, and we have to remember that this is something that nobody has tried before. So there are a lot of unknowns and a lot of things that we just have to try by ourselves, and we don't have any data points to rely on. This is why it's so complicated and it's taking a little bit of time. But yes, we have been experimenting with some components. We do not have a ready app. So the app was not used by the consumers.

However, some of the components were used by the consumers, for example, our Fast 14 mortgage offering, which allows agents a guaranteed closing within 14 days from their loan application and we have done a few of those. And the feedback was just amazing. I mean both our agents and their clients were just amazed by the fact that we were able to close on one occasion in 10 days.

So being able to provide a clear to close within 10 days of loan application is something that doesn't happen every day, and we want to make it standard long-term. I think that we are starting to see a future where the home-buying journey is just seamless and convenient and quick and just eliminate all of the friction and the pain that exists at the moment. So I think that as the time goes by, we are getting more and more energized and excited about the consumer-facing offering that we're building.

Q: Great. Thank you.

Operator

Your next question is coming from David Marsh from Singular Research. Your line is live.

Q: Hey, good morning guys. Congratulations on the quarter and achieving EBITDA positive. It's an impressive accomplishment. Let me start with the Title business. Could you provide us an update with regards to the Title business and how many states are rolled out in? And how many transactions have actually run through it in the most recent quarter?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Sure. So Real Title is now operating in 11 states. We added a few states during the past couple of months. What we are now focusing on is the JV offering to our highest performing teams and agents. So about 95% of the revenue last quarter came from the JVs and revenue grew by 87% year-over-year. So we are very happy with the growth. We think that there's tremendous upside still that we can realize over there.

Revenue was close to $1 million on Real Title side. And we're just working very closely with our highest performing teams just to have them sign up for the JVs and start following the transactions over. We see the attach ratio on the JV at about 70%, which is super high. And it's just about scaling that business right now. We have to remember that that business is in its infancy. So it takes a little bit of time to ramp it up.

Looking a little bit ahead into the future, we do see a world in which Title is just a component -- a seamless component in the home-buying journey. So it will just be integrated in our automated systems, and it will just be a check-the-box being for consumers. So the longer-term strategy is just to embedded into the consumer-facing app.

Q: Got it. And then same question with regards to the Mortgage business?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

So we acquired the Mortgage business about seven months ago. It took us a little bit of time to get it immersed into Real. Revenue in the second quarter was a little bit over $350,000. That was more than 100% increase compared to the first quarter of 2023. So we're really happy with the results. We are now exploring also a JV opportunity just allowing our agents to become partners in the Mortgage company as well.

But as I said, the more exciting side of the Mortgage business is everything that we're building on the technology side and just trying the Fast 14 offering and embedding that into the consumer-facing app. So we do see that business scaling at the second half of the year. So revenue will continue to go up. But alongside that, we are building that into the consumer-facing app as well.

Q: And how many states are you in for the Mortgage platform in at the moment?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

I believe it's right now at 12 states.

Q: 12 states. Okay. Great. All right. Well, that's primarily what I had top of mind. I guess just lastly, I mean, could you just talk about overall state of the real estate business and in terms of direction, not just transactions, but I mean, are you starting to see any more listings on a relative basis? Or is supply is still pretty tight and just talk about what your expectations would be for recovery there and how that would play out in terms of hand-in-hand with what the Fed is doing and so on?

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Yes. Good question. So the market is extremely tight on both ends, both on supply side and demand side. In the beginning of June, the middle of June, what we have seen is just a drop in demand due to the rising rates. So mortgage rates were around 7% and a little bit over that. So for about two to three weeks, we have seen a decline in new home sales in the market, which was kind of interesting. We are now seeing that rebounding.

What we have seen on our platform in the past three weeks, I would say, is a spike in new listings coming into the market. So that was an interesting trend that we still don't have market data, like overall national market data about. We can only speak about what's happening on our platform with our agents. And we have seen a spike in new listings coming into the market. I don't know if that's indicative of the future.

But I think that as soon as we understand what the Fed is going to do with the rates, and the market gets a little bit clarity, I think that we will see mortgage rates stabilizing and maybe even decreasing a little bit towards the end of the year, and that would be a positive. But at the moment, we're seeing just solid demand, not enough supply, I think that 37% of homes are now selling over asking price, which is interesting, and we are also seeing prices starting to go up naturally. So interesting market dynamics.

Q: Yes, that’s really great color. I appreciate that Tamir. Again congrats on the quarter guys.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Thank you, Dave.

Operator

Thank you. [Operator Instructions]. Your next question is coming from Tom White from D.A. Davidson. Your line is live.

Q: Great. Thanks guys for taking my questions. Two, if I could. One, we're seeing some signs that the momentum that you guys have been enjoying is triggering a bit of a kind of a competitive response at some of the other kind of brokerages with similar models to yours, in terms of them having to kind of sweeten the value prop for their agents. Tamir, I'd be curious to hear about how you think about kind of needing to stay ahead of some of those maybe larger competitors when it comes to kind of the overall appeal or the overall value prop or financial package for your agents? How do you think about needing to kind of stay ahead? Or maybe your willingness to do so or ability to without kind of impacting maybe the margin ramp of the business? And then I just have a follow-up.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Sure. So we are very happy to see other brokerages following our path and doing some of the things that we are doing, I think that that benefits with the agents. And at the end of the day, everything we do is for our agents. And if other agents and other brokerages can benefit from that, that's great. We don't see any need to change anything right now. We don't really feel that pressure that you're talking about. We think that we have an amazing offering for agents and a lot of agents are buying into that.

I understand why others want to make some changes to be able to offer something that is close to what we're offering. I think that we have a huge competitive advantage when it comes to technology and it will probably take others a few years to catch up to that. So not really concerned on that front. But overall, I think that yes, other brokerages are hurting and they're feeling the pain and maybe they need to do things to kind of alter their value proposition. I don't feel that this is the case with Real.

Q: Okay. That's very helpful. Thank you. And then just second, congrats on the EBITDA profitability. And there was a nice kind of gross margin expansion year-over-year in the quarter. I imagine that the fee model changes were a driver of that, maybe fewer agents or a lower proportion of agents capping. Can you help us think about the potential for gross margin expansion kind of next year like or after -- like once you lap the fee model changes? Just kind of curious whether you think maybe by this time next year, things like ancillary, services, Mortgage and Title or maybe even things like Instant Payments might be ramped to a degree where we can kind of continue this upward march on gross margins? Thanks.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Sure. I can start and maybe Michelle would want to add to that. I think that we have a few initiatives in the pipeline on further monetization of the platform. I think that if you look at a brokerage, the vast majority of the revenue is kind of pass-through. So the agent portion of revenue is not monetized at any other brokerage, and this is something that we're looking at and just exploring opportunities to monetize that, because just think about it Real, and I'm just throwing out a number, closing, let's say, $500 million, $600 million this year, about 90% of that revenue is passed through. And we think that there are ways to monetize that huge portion of the revenue, and we will be coming up with some initiatives towards the end of the year.

So I think that moving forward, if we take that into account, and we also take our Title business and Mortgage businesses into account, I think that there's a lot of upside in margins. I don't want to state the number, and we're not really providing any guidance at the moment, but I think that the positive trend will continue, and we will probably see a more meaningful increase in gross margins sometimes next year.

Q: Great. That’s very interesting. Thanks Tamir. Thanks Michelle.

Tamir Poleg - CEO & Co-Founder, The Real Brokerage, Inc.

Thanks.

Operator

Thank you very much. Mr. Lee, there appears to be no further questions.

Jason Lee - Vice President, Capital Markets & Investor Relations, The Real Brokerage, Inc.

If you have any additional questions on today's earnings release, please feel free to contact me directly. Operator, would you please give the conference call replay instructions once again? Thanks.

Operator

Absolutely. In order to access the replay, you need to call 877-481-4010 with a confirmation code of 48756. Once again the replay phone number is 877-481-4010 and a confirmation code 48756. The replay will be available at 01:00 p.m. Eastern today. Ladies and gentlemen, you may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.