

07-Nov-2024

# The Real Brokerage, Inc. (REAX.CA)

Q3 2024 Earnings Call

## CORPORATE PARTICIPANTS

### Ravi Jani

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

### Tamir Poleg

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### Michelle Ressler

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone, and welcome to The Real Brokerage Third Quarter 2024 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, Ravi Jani, Vice President of Investor Relations and Financial Planning and Analysis at The Real Brokerage. Sir, the floor is yours.

### Ravi Jani

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

Thanks, and good morning. Thank you for standing by and welcome to The Real Brokerage conference call and webcast for the third quarter ended September 30, 2024. We appreciate everyone for joining us today.

With me on the call today are Tamir Poleg, our Chairman and Chief Executive Officer; Sharran Srivatsaa, President; and Michelle Ressler, our Chief Financial Officer.

This morning, Real published an earnings press release, including results for the third quarter ended September 30, 2024. The press release, along with the unaudited consolidated financial statements and related management's discussion and analysis for the quarter, have been filed with the US Securities and Exchange Commission on EDGAR and with the Canadian securities regulators on SEDAR.

Before we get started, I'd like to remind everyone that statements made in this conference call that are not historical facts, including statements about future time periods, may be deemed to constitute forward-looking statements. Our 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. Real disclaims any intent or obligation to update these forward-looking statements except as expressly required by law.

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

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## Tamir Poleg

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

Good morning and thank you, Ravi. I will start with an overview of our strategy and some recent business highlights. Sharran will provide an update on actions we are taking to drive agent growth and improve agent experience. And Michelle will provide a more in-depth discussion of our financial results in this quarter. I'll then provide a few closing remarks before opening up the call for Q&A.

To begin, Real is a real estate technology company that is differentiated in our industry. Unlike traditional real estate brokerage firms, we provide real estate agents with a compelling combination of financial incentives, a proprietary software-based technology platform which eliminates the need for physical office space and a collaborative culture that we believe is unique in our industry.

Our vision is to simplify life's most complex transaction, that is a purchase or sale of a home by providing agents with the tools, technology and resources they need to grow both their businesses and as individuals, all while delivering a seamless experience for homebuyers and sellers.

In the short term, this vision includes the rollout of a consumer-facing product, which streamlines the client experience and enhances attachments of our higher margin ancillary services. In the future, we expect our platform to encompass a holistic ecosystem of financial technology, products, payments and investment planning tools, providing agents with an avenue to build long-term wealth.

Ultimately, as the platform matures, we believe homebuyers and sellers could also benefit from the breadth of our service offering. Our goal is to redefine the role of a real estate brokerage in the lives of our agents and in the broader housing industry. Importantly, just like our institutional investors, many of our agents are also shareholders in our company. And that is why, we are keenly focused on generating long-term value for our agents, for their clients and for our shareholders.

Turning to the quarter. This morning, we reported record third quarter results with revenue in the third quarter of 2024, increasing by 74% versus the prior year to \$372.5 million, driven by a 76% increase in the number of transaction closed, including 88% year-over-year transaction growth in the US. This increase was all organic and compares favorably to the 2% decline in existing home sale industry transactions during the quarter. Gross profit in the third quarter of 2024 was \$32.1 million, compared to \$18.8 million in the third quarter of 2023 and contributed to adjusted EBITDA of \$13.3 million, a significant improvement from \$3.5 million of adjusted EBITDA in the third quarter of 2023.

We ended the third quarter with 21,770 agents, up 79% versus the prior year, and an increase of over 8,000 agents since the start of 2024. As of this morning, our agent count now exceeds 22,500, meaning we've added over 700 agents since the start of the fourth quarter.

Our mortgage and title business lines also saw impressive performance growing by a combined 97% versus the prior year, including over 200% growth in mortgage. These ancillary business lines typically carry gross margins

that are 6 times to 8 times higher than our brokerage business, and they are expected to continue outpacing growth in our core brokerage business in the future.

Now, regarding the broader market environment. Affordability challenges continue to weigh heavily on existing home sales, which are on pace to finish this year near a 30-year trough. While we're cautious about forecasting a meaningful recovery until mortgage rates stabilize in the mid 5% range, we remain focused on what we can control, delivering an exceptional experience and value to our agents and the clients they serve.

Make no mistake, we believe Real is well prepared to succeed regardless of the broader market and interest rate environment. This resilience and forward momentum was on full display at our third annual RIF conference in Las Vegas last month, where Real's vision for the future truly came to life. More than 1,500 of our agents gathered to celebrate our achievements and see firsthand the new products and innovations that we believe will power their businesses for years to come.

At Rise, we introduced Leo CoPilot, our next-generation AI tool that now sits at the center of Reason, our proprietary software platform that is used by all Real agents. By centering Reason around Leo CoPilot, we've created a streamlined AI-driven experience where agents can navigate our software through a single intuitive interface. Leo CoPilot leverages our internal data on agent workflows to anticipate their needs and enhance efficiency. We believe this integration makes Real one of the only brokerages where AI truly drives agent productivity, bringing our agents to spend more of their time serving clients and closing deals.

With Leo CoPilot, we're embedding AI directly into the agent experience. We also unveiled Leo for Clients, which represents the evolution of our consumer-facing portal beyond a traditional mobile application and extends our AI technology directly to clients and consumers.

Leo for Clients is a text-based, client-facing platform that we expect will provide prospective homebuyers with the tools they need to find a home, book a showing, apply for a mortgage and track real-time closing progress, all while maintaining seamless connectivity with their agent. We believe by providing an intuitive and streamlined home buying journey that meets the expectations of today's digital savvy consumers, Leo for Clients will provide the same seamless tech-enabled experience to the client side that our agents have come to rely on.

Another major highlight from Rise was the official launch of Real Wallet, a financial platform designed to give agents enhanced control over their earnings and business finances. As a reminder, Real Wallet consolidates an agent's earning, revenue share and equity from Real into one interface, providing real-time wealth insights and faster access to commissions for those agents using a business checking account through Real Wallet.

At launch, US agents can open a business checking account and receive a Real branded debit card, while select Canadian agents have access to a business line of credit linked to their earnings history. Future updates are expected to introduce AI-powered financial tools, reward program and integration with Apple and Google Pay, further enhancing agent financial flexibility.

With that, I'll turn it over to Sharran for an update on our growth and agent initiatives.

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## Sharran Srivatsaa

*President, The Real Brokerage, Inc.*

Thank you, Tamir, and good morning, everyone. I'll provide a brokerage update in a quick top-five format. So, let's dive in and discuss some of the key highlights and focus areas this quarter.

Number one, continuing our growth momentum. We continue to gain significant market share from traditional brokerages, independents and low-cost players alike. While Q3 is traditionally a slower period for agent movement, we welcomed over 2,000 net new agents this quarter, an increase of over 200% compared to Q3 of last year. This steady influx of talent reflects both the strength of our value proposition and the confidence agents have in Real as the future of the industry.

Number 2, navigating the impact of the NAR settlement. The recent practice changes stemming from the NAR settlement have generated significant media attention. Yet, in practice, we haven't observed any notable changes to commission rates to date on the buy side or sell side. Our focus has been on preparing agents to handle these changes confidently, and we believe it's working.

In the weeks after the rule changes went into effect, 89% of our agents surveyed reported feeling prepared or well prepared for the changes. Through our comprehensive training programs, Real agents are prepared to effectively communicate the value they bring to transactions, while adhering to the new practices. As always, Real remains committed to transparency and doing what's best for agents and their clients.

Number 3, cementing Real as a platform for agent entrepreneurs. At Real, we're building more than a brokerage. We're creating a platform of possibilities for entrepreneurial minded agents. As an example, today, we have a 1,000 Real agents who are part of our Private Label program, which is a new initiative that was launched just earlier this year.

We're thrilled to see more independent brokerages aligning with our platform, while retaining their local brand equity they have spent years building. With tech innovations like Leo CoPilot and Real Wallet and flexible programs like ProTeams and Private Label, we empower agents with a business model and tools designed to enhance flexibility, productivity and financial independence. We also believe we are offering agents an opportunity to build wallet as owners of this business that we're all building together.

Number four, culture as our guiding light. In an industry often marked by intense competition, our culture stands out as a source of pride and our guiding light. We believe in collaboration over competition and working hard and being kind in celebrating our shared successes. We believe this commitment to culture is a significant draw for our agents, evidenced by our recent survey showing 92% of agents who joined Real, selecting culture as one of the most influential reasons for their choice, second only to economics at 95%. As we grow, we remain committed to fostering an inclusive and supportive environment where agents are valued, heard and empowered to succeed.

And number 5, closing out a strong 2024. As we approach year end, we're focused on closing out a record year and setting the stage for another year of robust growth in 2025. Our agent count has nearly doubled from where we were a year ago and has grown nearly 20 times since going public four years ago. With our continued investments in technology, agent training and support, we're ensuring every Real agent is well equipped for success, no matter how the broader market develops.

In short, I'm incredibly proud of the progress we've made this year and even more excited about what lies ahead. To our agents and our employees, thank you. Thank you for your unwavering commitment, because none of this would be possible without you.

Now, I'll pass it to Michelle for the financials.

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**Michelle Ressler**

*Chief Financial Officer, The Real Brokerage, Inc.*

Thank you, Sharran. And thank you, everyone, for joining us. Revenue in the third quarter of 2024 rose to \$372 million, an increase of 74% versus \$215 million in the third quarter of 2023. This growth was primarily fueled by a 73% increase in brokerage revenue, which totaled \$370 million, driven by a 76% rise in closed transactions, which approached 36,000 for the quarter.

Revenue from our ancillary businesses totaled \$2.6 million during the third quarter of 2024, an increase of 97% versus the third quarter of 2023, driven by 236% growth in our One Real Mortgage business and 45% growth in One Real Title revenue.

Gross profit from the third quarter of 2024 was \$32.1 million, an increase of 71% from \$18.8 million in the third quarter of 2023. Gross margin of 8.6% in the third quarter of 2024 compares to a gross margin of 8.7% in the third quarter of 2023, primarily due to a higher percentage of revenue generated from agents who had reached their annual cap in the quarter relative to the previous year. As a reminder, our cost of sales include stock-based compensation related to our agent stock purchase program, which allows agents to receive a portion of their commissions in real equity. This amounted to \$9.6 million for the quarter and is included in the stock-based compensation line in our adjusted EBITDA reconciliation.

As we've noted in the past, there is seasonality in our quarterly gross margin percentage rate as a result of revenue generated by agents who have reached their annual commission cap. Typically, fewer agents reach the cap during the first quarter, with the number increasing during the second and third quarters of the year. With that said, we remain focused on driving gross margin improvement on an annual basis, particularly as our ancillary business lines continue to scale.

Operating expenses, which include general, administrative, marketing and R&D expenses, totaled \$34.6 million or 9.3% of revenue in the third quarter of 2024, compared to \$22.7 million or 10.6% of revenue during the third quarter of 2023. Revenue share expenses, which is included in marketing expense, was \$11.7 million in the third quarter of 2024, an increase from \$7.9 million in the third quarter of 2023.

As a percentage of revenue, revenue share declined to 3.1% in the third quarter of 2024, an improvement from 3.7% in the third quarter of 2023, in part due to revenue share model changes we implemented over the last year. Note that revenue share expense is entirely variable and reflects the portion of Real's commission split that is paid to agents who attracts new agents to the brokerage.

Adjusted operating expense which reflects total operating expenses, less revenue share, stock compensation, depreciation and other unique or non-cash items totaled \$16.8 million in the third quarter of 2024, or 4.5% of revenue, a roughly 80 basis point improvement from 5.3% in the prior year. Adjusted operating expense is a non-IFRS metric that is intended to help investors understand the makeup of our non-variable cash operating expenses.

Operating loss was \$2.5 million in the third quarter of 2024, compared to \$4 million in the third quarter of 2023. This \$1.5 million year-over-year improvement reflects the 71% increase in our gross profit, which outpaced a 52% rise in operating expenses. It's worth noting that our US brokerage business was profitable on an operating income basis. However, this income was offset by our operations in Canada, as well as our ancillary mortgage and title businesses, which we view as start-ups in growth mode.

As a percentage of revenue, operating loss improved by approximately 110 basis points, reaching 0.7% in the third quarter of 2024, compared to 1.8% in the third quarter of 2023. Considering the significant portion of our revenue that acts as pass through, it's important to note that as a percentage of gross profit, operating loss

improved by 13 percentage points from negative 21% in the third quarter of 2023 to negative 8% in the third quarter of 2024, a meaningful year-over-year improvement.

Real's net loss was \$2.6 million in the third quarter of 2024, compared to a net loss of \$4 million in the third quarter of 2023. Adjusted EBITDA improved to \$13.3 million in the third quarter of 2024, a \$9.7 million increase from \$3.5 million in the third quarter of 2023. The increase was driven by our strong revenue and gross profit growth, which outpaced growth in our cash operating expenses, reflecting the efficiencies enabled by our technology platform.

Turning to our balance sheet and cash flow. We ended the quarter with unrestricted cash and investments of approximately \$32 million, compared to \$33.6 million at the end of the second quarter of 2024. During the quarter, Real generated cash flow from operating activities of \$7.2 million and allocated \$15.1 million to share repurchases, repurchasing 2.7 million shares.

We believe we are well capitalized and continue to have no debt and sufficient liquidity to fund our continued growth, while continuing to return capital to shareholders. As always, we will continue to diligently manage costs and allocate capital with a focus on long-term shareholder value creation.

To close, I'll recap a few key KPIs we're commonly asked about. The total value of homes transacted over our platform increased to \$14.4 billion in the third quarter of 2024, a 78% year-over-year increase. The median sale price of properties sold by our agents is \$383,000 in the third quarter of 2024, which represents a 4% year-over-year increase. Adjusted operating expense per transaction was \$468 in the third quarter of 2024 and declined 16% year-over-year from \$558 in the third quarter of 2023, a testament to the efficiencies enabled by our technology platform.

As of the end of the third quarter of 2024, 13.4% of agents had exceeded their annual commission cap, up from 12.5% during the third quarter of 2023. This cohort contributed to approximately 64% of commission revenue during the third quarter of 2024, compared to 51% during the third quarter of 2023. Canada accounted for approximately 14% of commission revenue in the third quarter of 2024, compared to 21% in the third quarter of 2023.

Our head count efficiency ratio, which we define as full-time employees, excluding One Real Title and One Real Mortgage employees, divided by the number of agents on our platform was 1 to 140 at the end of the third quarter, a significant improvement from 1 to 101 at the end of the third quarter of 2023. As noted last quarter, we continue to make head count additions across the business, including in R&D, operations, agent support and administrative functions in order to support a rapid growth. This includes hiring in anticipation of expected growth in 2025. As a result, we do expect to see operating expenses in the fourth quarter increase sequentially, while revenue will decline consistent with quarterly seasonality in the industry.

More details on our results and key operating metrics can be found in the earnings press release and investor presentation that accompany this call.

I will now turn it back to Tamir.

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## Tamir Poleg

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

Thank you, Michelle. As we close today's call, I'd like to share my vision for where Real is headed and why I believe we're at the start of something truly transformative in real estate.



When we started the company in 2014, we didn't set out to simply improve on the traditional brokerage model. We set out to reinvent it from the ground up. Now, with over 22,000 agents as part of The Real Network, we believe we are well positioned to lead this industry forward using AI not just as an enhancement, but as a foundation for a better, smarter real estate experience.

With Leo CoPilot as the centerpiece of our Reason Software platform, we've created a tool that offers agents real-time insights, proactive suggestions and strategic guidance, allowing them to focus on the human side of real estate, while Leo handles the rest. It's not just the AI for efficiency. It's AI as an intelligent partner that we believe gives our agents a competitive edge and empowers them to work to their fullest potential.

And the impact of the AI does not stop there. Leo for Clients, which we expect to launch in 2025, will bring these same capabilities directly to homebuyers and sellers, simplifying their journey. From personalized market insights to instant transaction updates, we believe Leo will reshape what clients can expect from the brokerage, transparency, responsiveness and seamless digital interactions.

In an industry that's often lagged in adopting technology, we aim to set a new standard for client experience.

Meanwhile, the Real Wallet adds a new layer of financial flexibility and intelligence for agents, providing them with tools for better managing and forecasting their earnings and cash flow. Real Wallet empowers agents with a level of financial independence that we believe is not available in traditional brokerage models. This journey has only just begun, and I believe the work we're doing today is laying the foundation for Real to lead this industry into the future.

Thank you, all, for your support and belief in our vision. Together, we're just getting started. Now, let's move to the Q&A session.



## QUESTION AND ANSWER SECTION

**Operator:** Certainly. Everyone, at this time, be conducting a question-and-answer session. [Operator Instructions] Your first question is coming from Darren Aftahi from Roth. Your line is live.

**Darren Aftahi**

*Analyst, ROTH Capital Partners, LLC*

Q

Hey, guys. Good morning. Thanks for taking my questions and nice results. So, I'm curious if I'm doing the math right. Your marginal flow through of adjusted EBITDA from gross profit in the quarter is like 73-ish percent, and that was very similar in the second quarter. And it's actually accelerated. And Michelle, I know you talked to technology efficiencies, but I'm just trying to better understand – I know you're investing in the business, but has the business hit an inflection point where this operating leverage flow through is sustainable?

**Michelle Ressler**

*Chief Financial Officer, The Real Brokerage, Inc.*

A

Nice to hear from you. Thanks for your questions. So, in terms of our general operations, I would say, operating losses – excuse me, the operating leverage is definitely sustainable. We are, as you know, always focused on efficiency and automation. However, now that we have achieved a different level of revenue, we – as we've discussed before, have additional regulatory requirements and compliance requirements. And so, we are going to be investing more so in that business.

But when we think about that effect over the long term, it will impact us over the next year or so as we stand up the programs and hire the necessary individuals. But that should then sort of stabilize going forward as well.

**Darren Aftahi**

*Analyst, ROTH Capital Partners, LLC*

Q

Great. And then, one more...

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

If I may add, Darren, I think that what's impressive in this quarter is the fact that despite of the fact that we invest heavily in technology, with all of the announcement that we announced a couple of weeks ago with Leo CoPilot, and Real for Consumers (sic) [Clients] (00:29:39) and the Real Wallet, so this is a heavy lift in terms of cost of technology innovation. We still maintained focus on profitability. And I think that this is very impressive.

**Darren Aftahi**

*Analyst, ROTH Capital Partners, LLC*

Q

Definitely agree on that. Just one more, if I may, on revenue churn, it looks like that's kind of cadence in the 2% range, maybe sub that this year. And are you guys call out revenue churn versus agent churn. I'm just – why has revenue churn year to date been so much lower than last year? I know you removed some agents, but is that how we should think about that? I just would assume as you get bigger, that number might creep up.

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

Yeah. I think that it's a testament to the value that's created on the platform for producing agents and high producing agents. And the fact that the offering is so optimized that they just see, they don't see a better alternative out there. So, we're doing a good job at attracting and maintaining, retaining the high producing agents and overall productive agents. And I think that moving forward, we're starting to get used to that level of the 2% to 3% revenue churn of the quarter.

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**Darren Aftahi**

*Analyst, ROTH Capital Partners, LLC*

Q

Got it. Thank you.

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

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**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

Hey, good morning. Wanted to start on the agent recruiting pipeline. If we look back to last year, I think you had stronger agent additions in the fourth quarter last year versus the third. So, given what you're seeing, you think about year end, should we expect the same? And just generally, what are you seeing in the pipeline as we think about central agent additions [indiscernible] (00:31:28) 2025?

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**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

Sharran, do you want to touch on that?

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**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

A

Yeah, yeah. Yeah, Tamir, I'll take that. Hi, Stephen. Great to catch up with you. So, as you said, Q3 is generally a seasonally lower quarter. So, Q4, a lot of agents seasonally start to plan for what happens year end and then what happens in kind of the Q4, Q1 period. So, I would broadly look at the trend of Q4 and Q1 as where the agent growth goes. But I will tell you, clearly, it's hard for us to say when agents going to move and what that kind of process looks like. However, we have, over the last quarter, been having a lot of conversations regarding planning for agents to explore the Real platform, both our Private Label, ProTeams and the introduction of Real Wallet.

So, the conversations are alive. The – don't know when, who is going to move when, but we hope that Q4 and Q1 start to build a great pipeline for us.

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**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

Very helpful. Thanks, Sharran. And then, maybe on the Real Wallet, I think you made that fully available to your agent base at the conference a couple of weeks ago. So clearly, it's early but, what have you seen in terms of usage of the wallet so far and what has the early feedback been from agents? And again, I guess the hunch is very early.

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**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

A

Sure. So obviously, we're very excited about finally having the Real Wallet launched, I mean our agents' hands. What's currently available in the US is checking accounts and/or deposit accounts and debit cards for agents. And obviously, the agents who actually ordered the debit cards, it takes a couple of days for the debit cards to arrive. So, we just launched it a few weeks ago and then, gradually started opening up to more and more agents. We are already seeing more than a \$100,000 spent on debit cards, despite the fact that it has only effectively been just a couple of days that agents held the debit cards in their hands.

And then, in Canada, we opened up a line of credits for agents, and we have about \$800,000 today that was given to agents as part of the credit line. So, we're very encouraged by the adoption. We haven't really pushed it. We haven't done any internal push, any notifications to agents. But we're very encouraged by the initial usage of the wallet.

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**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

Got it. Good to hear. And it will be fun to watch how the traction there picks up. Maybe one, just one last one for Michelle. I want to follow up on the operating expenses. I think you said OpEx should be up in the fourth quarter sequentially. Any rough framework for how much OpEx might be up as we think about our models?

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**Michelle Ressler**

*Chief Financial Officer, The Real Brokerage, Inc.*

A

Yeah. I mean, we're not giving exact guidance, but we've added a number of head count in Q3. And so, that will obviously flow through the Q4. We'll be making additional investments in both those areas, primarily in R&D and operations in terms of head count as well.

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**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

Okay, great. Thank you. Nice quarter.

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**Operator:** Thank you. Your next question is coming from Matthew Erdner from JonesTrading. Your line is live.

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**Matthew Erdner**

*Analyst, JonesTrading Institutional Services LLC*

Q

Hey. Good morning, guys. Thanks for taking the question. The ancillary services have been growing very nicely over the past couple of quarters, but you are still hovering around kind of the 70 basis point mark as a percentage of total revenue. As these businesses continue to grow, is there a target percentage that you guys are looking for kind of expecting?

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**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

A

Sure. I think that we've communicated in the past that there is great potential in attaching ancillary services to our transactions. And obviously, our focus is to getting the attach rates to double digits. It's in very low single digits at the moment. I think that what we're doing now with Leo CoPilot and Leo for Clients will very likely dramatically change the paradigm of attach rates. So, we'll have to wait until the second half of 2025 maybe to see a more meaningful jump in attach rates. But till then, we are, as you see, making efforts and increasing revenue in attach rates as well. It's not to the fullest potential in my opinion. We can do better, but that support needs to come from technology and product and those things take time. I think that long term, there is true potential to exceed what

you have seen in the industry done by anyone else just because of the tech platform that we're building that could integrate everything in a seamless way using and then leveraging AI to actually push attach rates.

**Matthew Erdner**

*Analyst, JonesTrading Institutional Services LLC*

Q

Yeah. That's very helpful. Thank you, guys, and congrats on the quarter.

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

Thank you.

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

**Wyatt Swanson**

*Analyst, D. A. Davidson & Co.*

Q

Hey. This is Wyatt [indiscernible] (00:36:56) on for Tom. Thanks for taking our questions. I had one on the NAR settlement. You mentioned in the prepared remarks that commission rate pressure seems to be pretty negligent, at least so far. Can you talk about the relative resilience of your business if buyers agents start to see more meaningful commission compression, and perhaps if there is a reduction in the number of agents out there?

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

Sure, I can take this one, Sharran. You may add if you want. I think that we have to remember a couple of things. One, more than 50% of our transactions are done by cappers. So, we do not collect the commission splits. We collect an actual fee, a transaction fee. So, even if commission rates do drop eventually, I think that it wouldn't have a meaningful effect on our revenue. That's number one.

Number two, I believe that if commission rates dropped in the overall industry, a lot of agents will be looking for a new brokerage that allows them to keep more money in their pockets just because they will be making fewer dollars in every transaction, and that might accelerate our growth. So, I would believe that any decline in revenue because of lower commissions will be offset by higher growth. But again, still remains to be seen. But as of now, we're not seeing any indication of commissions declining.

**Wyatt Swanson**

*Analyst, D. A. Davidson & Co.*

Q

Got it. That makes sense. And then, I can't help but ask a question on the election. I mean, we saw mortgage rates jump yesterday on Trump and congressional results. Any initial thoughts on what a Trump Presidency might mean for the housing market and your business versus the last administration?

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

A

Again, I can take this one, Sharran. Feel free to add. I think that what we've seen in the past couple of years with market conditions is that we're able to grow despite of any external factors and I think that we will continue to focus on building a great company and building value for our agents. And we will continue to grow because of that

no matter what the market throws at us or the economic environment. But Sharran, if you have anything to – any thoughts on specific to the elections, feel free.

**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

No, it's spot on to me.

A

**Wyatt Swanson**

*Analyst, D. A. Davidson & Co.*

Perfect. All right. Thank you, guys.

Q

**Operator:** Thank you. There are no further questions in the queue.

**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

Ravi?

A

**Ravi Jani**

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

Great. Now that we've concluded the analyst portion of the call, we'll address some of the questions that were received from shareholders on the Say Technologies Q&A portal that was opened last week. We received a number of excellent questions, so thank you to all who participated.

A

With Real Wallet launch, and this question is for Michelle. With Real Wallet launch, how quickly do you anticipate that revenue stream becoming profitable?

**Michelle Ressler**

*Chief Financial Officer, The Real Brokerage, Inc.*

Sure. So, we're always focused on profitability, but our current priority for Wallet is to build out the product, to build it out well, and to build it out rapidly. So, we know that it has an immense long-term value potential, not just for the business, but also for our agents, their clients and our shareholders. And as we're currently working on scaling and refining the product, we expect that profitability will naturally follow.

A

**Ravi Jani**

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

Great. Next question for Sharran. What specific strategies is Real implementing to drive agent growth and retention heading into 2025? And how do you see these initiatives differentiating Real from competitors?

A

**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

Thanks, Ravi. The – as we all shared in the last, kind of last quarter's results and Tamir talked about this idea of the flywheel, we're very fortunate over the last few years just, have become, have Real become a household name as well as agents go, and to manage the overall organic growth. And the one thing that we have started to build is a really great kind of team and infrastructure to support this flywheel of our agents helping – help grow other agents joining Real. And the one thing that we have seen that is really important is for big agents and teams who want to join Real to have their transition from their existing brokerage to Real to be really smooth. So, a big

A

part of the focus is to help that discovery process with a great team and infrastructure to help with that growth. So, that's number one.

On the retention side, we think about retention in two big pieces, culture and performance. Culture is a great component of what we have going on Real. But the performance component is where when agents are producing, when they're making money, when they're taking advantage of other revenue streams, it's a really positive thing. So, we completely re-hauled and revamped Real Academy, which is our internal education platform. We've noticed that a training first approach allows for agents to drive performance. So, we have brought in a new Head of Real Academy to help build a global academy and to really use a training first approach to get agents to drive performance overall.

So, that's kind of number two.

But the third uncommon number three, which has, which has been over the last few weeks, that Tamir and I have seen this groundswell of interest, has been the idea of Real Wallet for teams and individuals, for agents and teams and independents to say, can I use my existing business as an asset, can I take that asset and borrow from it to help reinvest back in my business. Agents and brokerages and teams have never had a chance to be able to do that. So, the last few weeks since our announcement of the Real Wallet, the ability to use as an asset and then take that, take monies from that and reinvest back in your business has been a very pleasant growth opportunity for us. So we're having a lot of those conversations right now.

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**Ravi Jani**

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

**A**

Great. Next question for Tamir. With Real occupying all 50 states and 4 provinces in Canada, what would leadership like to see occur prior to expanding into additional countries, if at all? And a related question, when can we expect see some expansion in Canada?

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**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

**A**

Sure. So earlier this year, with our goal of opening in Saskatchewan, in Canada in 2025, which we're actively working towards. As for other international expansion, expansion, our view is that the opportunity in the US and Canada remains incredibly large for us and we're focused on capturing more market share before turning to new regions. So, I think that it's smart to do it this way. Expanding too quickly can be a distraction, and we believe there's still tremendous value to unlock for our agents and clients in North America. So, for now, we're keeping our attention on maximizing growth and impact where we're already established.

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**Ravi Jani**

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

**A**

Great. Thanks, Tamir. And last question, what feature releases, if any, are you looking forward to release by Q1 of 2025? And Sharran, feel free to also weigh in.

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**Sharran Srivatsaa**

*President, The Real Brokerage, Inc.*

**A**

Tamir, I'll start, I know you're – you love this topic because you've been really driving the product innovation side, but the two real key features for us are – that are going to benefit both growth and performance are the announcement of Leo CoPilot, which is efficiencies for agents and Real Wallet. Like what people don't understand is that how an agent works day to day is not a 9 to 5 where they sit in front of computers on a business day.

They're – they need answers at whatever time they need answers. And for us to provide a solution where the system guides an agent to do their jobs better, to be more efficient, and to create this high brain as well, which allows for agents to not have to wait for somebody to ask a question may be internally or externally, dramatically drives productivity and a chance for them to help their clients. So, the growth and integration of Leo CoPilot, which is our AI assistant into our agents lives is a really, really powerful thing.

And the second, no one's ever built the Real Wallet. Tamir and I often talk about how do you actually normalize the volatility of income that an agent has to – the agent's career is. If they don't close the transaction, they don't make money. So, it goes in ups and downs. But the Real Wallet provides a really great baseline for an agent to say, hey, I can actually use my business as an asset, leverage and borrow for my business and continue to invest, so I could smooth out the revenue flows in my business. It allows them to have a much more stable business, a much more growth oriented focus, so they cannot be susceptible to the volatility. When we get those two key features kind of built and continue to get integrated and adopted, the fundamental change of how an agent works day to day is really powerful. So, that's what we're really looking forward to. But Tamir, if I missed anything.

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**Tamir Poleg**

*Chairman, Chief Executive Officer & Co-Founder, The Real Brokerage, Inc.*

**A**

No. Spot on. Thanks. Ravi? Ravi, you might be on mute.

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**Ravi Jani**

*Vice President-Investor Relations, Financial Planning & Analysis, The Real Brokerage, Inc.*

Great. That concludes today's conference call. If you have any additional questions on today's earnings release, please feel free to contact me directly. Matthew, would you please give conference call replay instructions once again? Thank you.

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**Operator:** Certainly. Ladies and gentlemen, this concludes today's conference call. Today's conference call will be available for replay. The replay phone numbers are 877-481-4010 or 919-882-2331. And today's replay code is 51300. Once again, the replay phone numbers are 877-481-4010 or 919-882-2331. And the replay code for today is 51300. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.



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