

Transcript of
The Real Brokerage Inc.
The Real Brokerage Inc. 1Q 2026 Conference Call
May 7, 2025

Participants

Alexandra Lumpkin - Chief Legal Officer, The Real Brokerage Inc.
Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.
Jenna Rozenblat - Chief Operating Officer, The Real Brokerage Inc.
Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Analysts

Naved Khan - B. Riley Securities
Stephen Sheldon - William Blair
Jason Weaver - JonesTrading
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Michael Rindos analyst - Benchmark StoneX

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to The Real Brokerage First Quarter ended March 31, 2026 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.

I will now turn the call over to Ms. Alexandra Lumpkin at The Real Brokerage. Ma'am, the floor is yours.

Alexandra Lumpkin - Chief Legal Officer, 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 first quarter ended March 31, 2026. We appreciate everyone for joining us today.

With me on the call today are Tamir Poleg, our Chairman and Chief Executive Officer; Jenna Rozenblat, our Chief Operating Officer; and Ravi Jani, our Chief Financial Officer. This morning, Real published an earnings press release including results for the third quarter ended March 31, 2026, the press release, along with the consolidated financial statements and related management's discussion and analysis for the quarter ended have been filed with the U.S. 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 on 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

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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 Chairman and Chief Executive Officer, Tamir Poleg. Tamir, please proceed.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Thank you, Alix, and good morning, everyone. I will cover our Q1 results and the REMAX transaction. Jenna will provide an update on key brokerage initiatives, Ravi will walk through our financials in greater detail, and then I'll come back to close.

I'll start with a quick overview of our results. Real delivered another impressive first quarter, and I think the numbers speak for themselves. Revenue of \$466 million, up 32%; operating loss of \$3.4 million, improved by \$1.8 million year-over-year; adjusted EBITDA of \$14.9 million, increased 80%; and our unrestricted cash and investments balance increased by \$13 million in the quarter to a record \$62.9 million.

All of this occurred in one of the softest markets we've seen in years. U.S. existing home sales were essentially flat at trough levels, and Canadian home sales activity declined mid-to-high single digits. Despite this, our agents closed nearly 42,000 transactions, up 25% year-over-year. Gross profit grew faster than operating expenses, and adjusted EBITDA grew 2.5 times faster than revenue. That is the model working exactly as we designed.

We ended the first quarter with approximately 33,500 agents, and as of May 6th, that number has grown to over 33,900. This is happening while agents across the industry are struggling, transaction volumes are down, and productivity is under pressure. The fact that we are both growing rapidly and improving retention in that environment demonstrates the value the platform delivers for agents.

On our ancillary businesses, the progress we're making is starting to become very tangible. On Real Wallet, revenue more than tripled year-over-year to \$436,000. We now have 8,000 active agents on the platform, which represents 23% of our total agent base, including 40% of those agents who generate over \$150,000 in annual gross commissions. Weekly debit card spend has now exceeded \$1 million a week, while deposit balances have grown to over \$25 million.

We ended the quarter with approximately \$9 million of credit extended to agents across Canada and the U.S., and we are now seeing early data showing a direct link between wallet adoption and lower agent churn. We're still in the early stages of what Real Wallet can become, but I'm very excited to bring it to even more agents, and following the REMAX closing, franchisees across the country.

On One Real Title, revenue increased 22% in the quarter. That is the strongest quarterly growth we have seen since Q1 of last year. We now operate 13 Title joint ventures across 19 states, and we expect to open Colorado in the second quarter, bringing the total to 20 states. The state-based JV model is the right model to efficiently scale, and I am pleased that we are starting to see that play out in the numbers.

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On One Real Mortgage, revenue increased 20% year-over-year. Kate Gurevich, who joined as CEO in January, is focused on realigning the loan officer base with our current agent footprint while improving the cost structure. We are migrating to a new loan origination system in Q2, which will meaningfully reduce our profile costs. Meanwhile, we are actively evaluating new lender partners to ensure we are offering clients a more comprehensive range of competitive financing options. I think Mortgage is on the right track, and we will continue to see that reflected in the numbers as the year progresses.

Now, on REMAX. Last week, we announced a definitive agreement to acquire RE/MAX Holdings, Inc. in a transaction that implies an enterprise value for REMAX of approximately \$880 million as of the transaction announcement date. I know this is top of mind for everyone on the call, so let me tell you why we announced this transaction and why now.

At its core, Real REMAX Group will unite an iconic real estate brand and franchise network with our innovative technology and the fastest-growing major public real estate brokerage. Real has built the platform, the technology, and the agent-aligned community and economics. REMAX has the brand recognition, the global network, and decades of trust with some of the most productive agents in the business.

Together, we believe we can create a platform that is genuinely differentiated and purpose-built to be a leading presence in this industry for the next generation of real estate professionals and entrepreneurs. The financials are compelling. Based on 2025 results, REMAX generated approximately \$94 million of high-margin adjusted EBITDA, mostly from recurring franchise fees, representing a transaction value of roughly 9 times trailing adjusted EBITDA or about 7 times post-synergies.

As a reminder, these figures are based on results at the bottom of the housing cycle. Last year, the combined Real and REMAX networks closed over 700,000 transaction sites in the United States alone. That reflects a significant opportunity to grow our ancillary Title and Mortgage businesses.

To put some numbers around what that means, we estimate a 1% attachment rate on One Real Mortgage across that addressable transaction base would generate approximately \$25 million of high-margin revenue for the combined company post-closing. Similarly, we estimate a 1% attachment rate on Title would generate over \$10 million of revenue for the combined company. Our goal over time is to be much higher than 1%, so you can see how these numbers can genuinely transform the P&L over time.

We also see significant opportunity to utilize our AI-powered consumer home search portal, HeyLeo, to further nurture and monetize the 1 million annual leads generated across RE/MAX.com and RE/MAX.ca, given the brand's strong trust with consumers. REMAX is a brand built on production. The average REMAX agent closes over 10 transactions a year, roughly double the industry average.

These are exactly the kind of high-producing, full-time professionals that our technology platform and ancillary businesses are designed to support. Meanwhile, the cost-synergy opportunity of \$30 million is grounded in real, visible, and duplicative costs. Two public company cost structures, shared services, vendor contracts, nothing that we believe is aspirational. We are standing up our integration team now, and we will keep investors updated as we make additional progress.

I also want to speak directly to agents on both sides of this combination, because I know there are questions about what this means for you. The answer is straightforward. Real and REMAX will continue

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to operate as separate brands with separate and distinct value propositions. If you are a REMAX agent who thrives working in office, side-by-side with your broker owner and your team, that is not changing. What you can look forward to is access to new technology tools and services that Real has built, which will be available to you upon closing. And if you are a Real agent, you will continue to have all the flexibility and benefits of our model. Nothing about that changes. These are complementary businesses, each serving different agents in different ways, soon to be operating under one roof.

When you have reZEN as your single system of record, Leo AI helping you run your business every day, Real Wallet getting you paid faster with access to lines of credit and integrated Title and Mortgage services, all inside one ecosystem, it's really hard to walk away from that. Every tool we add makes the platform more valuable, and every agent who joins makes the community stronger. And I think Q1 is showing exactly that.

With that, I'll hand it over to Jenna.

Jenna Rozenblat - Chief Operating Officer, The Real Brokerage Inc.

Thank you, Tamir, and good morning. We have several exciting updates on the brokerage operations front, starting with leadership. In March, we named Jason Cassity as Chief Growth Officer, a newly created executive role designed to accelerate agent growth and continue building one of the industry's most innovative, collaborative agent communities.

Before joining our executive team, Jason spent 13 years as a top producing realtor and team leader in San Diego. He also served as a growth ambassador for Real, working closely with agents and leadership to attract top talent and strengthen community engagement. Jason stepped away from his personal production to ensure that every agent who joins Real, and soon the Real REMAX Group, has the tools, the technology, and the community they need to achieve their own greatness.

Jason will own agent acquisition, activation, and engagement strategy across our markets, partnering closely with our growth ambassador network and top teams and agents. We are very excited to welcome him into this role.

Second, on operations, you will notice from our press release that our headcount efficiency ratio, defined as the number of agents per full-time brokerage employee, was 85 to 1 at the end of the first quarter. For context, during the quarter, we on-boarded 34 full-time employees into roles that were previously performed by outside contractors, primarily in brokerage operations and compliance.

From a P&L standpoint, this conversion is expected to be largely neutral, but from a practical standpoint, bringing these roles in-house means our agents get better service, better support, and more hands-on local expertise. And importantly, our new full-time brokers are being incentivized not just on agent satisfaction, but also on driving ancillary attachment rates in their markets. That aligns their personal success directly with the growth of One Real Title, One Real Mortgage, and Real Wallet, which is exactly the kind of structural change that compounds over time.

Third, HeyLeo. In March, we officially beta launched HeyLeo, our consumer home search portal and AI relationship management platform to our agent base, and I want to share some early data. As a reminder, HeyLeo ingests live MLS data to allow buyers and agents to search, explore, and interact

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natively throughout the platform. We now have ingested 357 MLS and are on track to reach 400 plus by the end of Q2, with full Canadian coverage already live.

Today, HeyLeo already covers over 85% of our agents' geographic distribution. That data foundation is what makes AiRM genuinely useful. We currently have 450 agents in the beta test, with another 4,500 on the wait list. This phased rollout is deliberate, as we want agents and their clients to have a great experience before we open the floodgates.

We are seeing early success with HeyLeo re-engaging and providing tools for agents to nurture dormant leads, while early engagement data is also encouraging. We are seeing many client conversations with HeyLeo running to 10, 15, even 20 plus messages covering property details, neighborhoods, schools, and ownership costs. These are typical high-quality buyer interactions that our agents no longer have to manually respond to around the clock, and I'm very excited about rolling the platform out to our entire agent base as the product matures.

And finally, on REMAX, I have taken on the role of Chief Integration Officer for the combined company, and I want to share why I am so confident that we can deliver significant value, both at the company level and at the individual office level. That confidence comes from our DNA. We have spent over a decade using technology to streamline brokerage operations at scale, building reZEN, deploying Leo AI, and automating workflows that used to require manual intervention.

We know how to run a lean, technology-enabled brokerage efficiently, and we know how to bring agents onto a platform in a way that enhances their businesses without disrupting what they have built. That experience is directly transferable to REMAX franchisees, and it is the foundation of our on-the-ground integration approach.

The REMAX franchise network is filled with thousands of franchisees who have built incredible businesses and who deserve the best tools, the best support, and the best technology the industry has to offer. I genuinely look forward to working with the REMAX team, agents, and franchisees to build the technology-enabled real estate platform of the future together. The opportunity in front of us is significant, and I believe we have exactly the right team and foundation to capture it.

With that, I'll turn it over to Ravi.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thank you, Jenna, and good morning, everyone. Consolidated revenue for the first quarter was \$466 million, up 32% year-over-year. Growth was led by our North American Brokerage segment, where closed transactions rose 25%, substantially outperforming the U.S. and Canadian home sales markets. Ancillary revenue of \$3 million grew 34% year-over-year, with growth across the board. Real Wallet generated \$436,000 in revenue in the first quarter, up nearly 250% from Q1 2025, and One Real Title returned to double-digit growth, despite the year-over-year headwind resulting from the shift to state-based joint ventures, which will anniversary in the second half of the year.

Gross profit increased 24% to \$42.2 million in the first quarter, compared to \$33.9 million in the same period last year. Gross margin was 9.1%, compared to 9.6% in the prior year first quarter. The primary

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year-over-year driver was transaction mix, as approximately 40% of our closed transaction sides came from capped agents, up approximately 200 basis points year-over-year.

Total operating expenses, including G&A, marketing, R&D, and acquisition-related costs were \$45.6 million in the first quarter, up 17% from \$39.1 million last year. Operating expenses included approximately \$300,000 in expenses related to the REMAX acquisition. As a percentage of revenue, operating expenses improved to 9.8%, down approximately 130 basis points from 11.1% a year ago, reflecting our commitment to grow OpEx at a slower pace than revenue and gross profit.

I do want to flag that we expect Q2 operating expenses to reflect a more material step-up in REMAX acquisition-related costs. We will break these out as non-recurring items in our disclosures. Operating loss improved to \$3.4 million in the first quarter, compared to an operating loss of \$5.2 million in the first quarter of 2025. Operating margin improved to negative 0.7% for the quarter from negative 1.5% in the prior year period, reflecting strong growth in operating leverage.

On a non-GAAP basis, adjusted EBITDA rose to \$14.9 million in the first quarter, an 80% improvement from \$8.3 million in Q1 2025. Real generated cash flow from operating activities of \$23.3 million in the first quarter, and ended the quarter with \$62.9 million in unrestricted cash and short-term investments, and continued to carry no debt.

While we don't provide formal guidance, we expect Q2 revenue to improve sequentially, consistent with normal seasonal patterns in the housing market. Gross margin will follow a similar trajectory to prior years, declining through the year as more agents reach their annual commission cap, which is a natural function of our model.

On operating expenses, we expect Q2 to reflect a step up in acquisition-related costs, which we will disclose in non-recurring items, but on an underlying basis, we remain focused on the same discipline that drove our Q1 results, managing fixed costs to deliver continued year-over-year improvement in adjusted EBITDA. 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'll now turn it back to Tamir.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Thank you, Ravi, and thank you, Jenna. I'd like to ask you all to imagine a world where buying a home is as seamless as any other digital experience. Where a buyer talks to an AI that knows every listing, every neighborhood, every school, and every mortgage rate, and when the right property hits the market, that buyer is connected instantly to an experienced real estate agent who is ready and prepared to serve them. Where that agent then manages and closes the transaction on one platform, gets paid through it, finances their business through it, and offers integrated closing services without ever having to leave the ecosystem. Where every step of the most important financial decision of that client's life is connected, intelligent, and has less friction, that is the platform we are building, and that has been our vision since day one.

We didn't have to pivot to AI. We didn't white-label our way into fintech. We've built the infrastructure, transaction by transaction, agent by agent, year after year, because we knew that someday technology

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would catch up to the vision. That day has arrived, and with the REMAX transaction, we will soon have the network and the reach to bring it to life at a scale that we believe can transform how people buy and sell homes. You cannot vibe code this. You have to dream it, build it, and earn it. And we have spent over a decade doing exactly that.

I speak to you today as CEO, as a Co-Founder, and as one of the largest individual shareholders of this company. I have never been more excited about our future than I am right now. The opportunity in front of us is generational, and I deeply believe the best days of this company are ahead of us.

Operator, please open the call for questions.

Operator

Certainly. Everyone at this time will be conducting a question-and-answer session for analysts. [Operator Instructions] Your first question is coming from Naved Khan from B. Riley Securities. Your line is live.

Q: Great. Thanks so much, and congrats on the results. Just a couple of questions for me, please. And both are related to ancillary. So first question is, what kind of attach rates are you seeing from the agents who are part of the JVs? How is that trending? And then secondarily, just in terms of participation of the agent on the JVs for Title, where does that stand and what are the steps you're taking to take that higher? Thank you.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Hi, Naved. Thanks for the question. So the attach rates on the JVs, we're seeing some JVs with attach rates of 40%, 50%. We have seen a couple with as high as 80%. So the trajectory is obviously encouraging. And as you know, the JVs are only on the Title side. The participation of agents, I'm not sure I understood the question. Are you asking about how many agents actually opt in into the JVs or was it a --?

Q: Yeah, that was the essence of the question. What are you doing on your end to increase more agents participate and become part of the JVs so that there's more volume flowing through it?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Sure. So we want to make sure that the JVs are valuable and that we're driving meaningful transactions through them. So we are opening them up to the most productive teams and then most productive agents. And then we're trying to add more and more, but typically it's based on production. And we're happy that currently the ones that actually opted in are the ones that carry most of the transactions in each market. So it's still an effort to add more, but it starts with the top producers in every market.

Q: Okay. And then did you say in your prepared remarks that the number of Title JVs is going to 20?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

No, we said that title is operating in 19 states and we will be opening Colorado soon. So that will be 20 and we have 13 JVs at the moment. So 13 out of the 19 carry JVs.

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Q: Is there a gating factor in terms of why you can't have JVs in all of these 19 states?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

No, that's the intention.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Naved, some JVs --

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Sorry, go ahead.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Sorry, I was just going to say some JVs do have span across more than one state. So it's not always one-to-one.

Q: Got it. Understood. Thank you, guys.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thanks, Naved.

Operator

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

Q: Hey, good morning. Thanks for taking my questions. First, I just wanted to see, I know it's very early, but just what you can share about the feedback you've received so far from REMAX franchises on the deal. Has there been much pushback? And then, I guess, how much interest have they shown? Again, I know it's early. How much interest have they shown in potentially adopting reZEN and your broader technology platform since that's something that won't be mandated upon them? I guess, what's kind of the early feedback you're hearing from that network?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Sure. Thanks, Stephen. So REMAX management has been working very closely with the REMAX network and the franchisees. And the initial feedback, I think, was a little bit of mixed excitement and surprise. I think that, naturally, people don't really like change. So at the beginning, there was a need to heavily communicate and kind of provide them the background and how management looks at the combination of the two companies. I think that very quickly, it shifted to a lot of excitement on the REMAX network side.

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And we also heard that many of them are starting to look into reZEN, trying to understand. We received some calls from Real agents who received calls from REMAX agents who wanted to learn more about the technology. So there's definitely a lot of interest and a lot of excitement and we will need to continue and communicate and make sure that there's a lot of clarity around the combination of the company and the timeline -- the companies and the timeline and what will be available to the REMAX network and when. But I think that there is a lot of support to the combination and the merger of the two companies.

Q: Got it. Yeah, it's really good to hear. Maybe then for Ravi, on gross margins, I know there are always a lot of moving pieces, but just generally, how are you thinking about the trajectory over the rest of the year? I heard the comment, you expect it kind of as normal to trend lower sequentially, but how should we be thinking about year-over-year trends? And gross margins were down a little bit in 1Q relative to last year. Yeah, kind of how should we think about, should it continue to step down, I guess, year-over-year as we think about the rest of the year?

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Yeah, thanks, Stephen. I appreciate the question. I think in Q2, well, you would expect to see year-over-year decline, probably similar order of magnitude as you saw in Q1. As we get to the second half of the year, I think that the year-over-year pace is likely to be a little bit more flattish than relative to what you saw in the first half with respect to the decline. And that's just because of the significant step up we saw in post-cap transactions in the second half of last year.

We wouldn't expect that same order of magnitude of year-over-year change. I think last year was a bit of a step change across the industry where you saw the highest producing agents take an outsized share of transactions. And while it could modestly pick up this year, I don't think it would be as impactful as you saw in the second half of last year. So we'd expect that year-over-year trend to sort of dissipate the second half of this year.

Q: Got it. And then if housing activity picks up and you start to see productivity kind of spread out across the agent base, then that could maybe start to support a better trajectory in gross profit when housing activity does pick up. Is that kind of the right way to think about it?

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Yeah, absolutely. And I think if you rewind the clock back to better markets, you did see higher gross margins because you saw a bigger percentage of the transaction pool being transacted by agents who are pre-cap. And so you saw a greater mix of revenue coming in at that 15% gross margin rather than that post-cap gross margin, which is in the single digits. And so that's been our thesis. I mean, the history proves that that is typically what happens.

I'd say the other thing that we would expect to be a tailwind in the second half of the year is our ancillary businesses will continue to grow. And you saw this year, ancillary growth modestly actually outpaced the brokerage. And so ancillaries were a 10 basis point gross margin tailwind in the quarter. So those are the two things that if you do see a market pickup in the second half of the year and beyond, you'll see just a greater contribution from pre-cap agents and transactions, as well as from ancillary services, which come at significantly higher margins than the brokerage.

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Q: Makes sense. All right. Thank you.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thanks, Stephen.

Operator

Thank you. Your next question is coming from Jason Weaver from JonesTrading. Your line is live.

Q: Hi, good morning. Thanks for taking my question. I believe that you held an internal town hall on the date of the announcement of the combination. Can you speak about any of the early reads or concerns on agent perceptions around the combination with REMAX? And if you think that might influence any significant churn in the population?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Thank you, Jason. So yes, one of the first things we did on that morning was to speak to our agent community and invite everybody to a town hall where we presented the transaction and answered a lot of questions. I think that overall there was just immense enthusiasm and excitement around the transaction. And obviously agents wanted to understand a little bit better what does it mean for them? Is the model changing? Is anything changing on the technology side? Is anything changing on the revenue share program, on the stock purchase program? We told them that nothing changes for now.

It's business as usual, obviously. But we also indicated that this combination will allow us to invest even more in growth, in technology, in just strengthening the value proposition both on the Real side or on the Real model and on the REMAX model. So the initial feedback was very supportive from the Real's agent community.

Q: Thank you. Good to hear. And then I was wondering if you could speak to any thoughts of further over-the-horizon expected synergies upon the longer-scale integration of both companies?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Ravi, do you want to take that?

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Yes, sure. And I'll let Tamir talk on some of the top-line synergies which he addressed in his prepared remarks. But I think as you've seen in other M&A transactions in the sector, what you underwrite the transaction to is based on, from a synergy standpoint, is based on what you can see before you own the combined company and you can look under the hood. And kudos to Compass, they've done a great job of executing on their synergies in a very short period of time. And I think you've seen in transactions in this sector and other sectors that once two players combine, there's always more opportunity than you think going in. And so we underwrote the transaction with 30 million of synergies.

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Once we own the businesses and we get the best athletes together and figure out how the go-forward business looks for the next decade, could that synergy number change? Yes, of course. And I think we'll be vigilant and thoughtful in how we execute on that path. But needless to say that Real is a very efficient organization and we will continue to be very efficient as Real REMAX Group.

Q: Thank you. I appreciate it. I'm sorry.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

As I mentioned on my prepared remarks, we think that there's tremendous opportunity in just expanding Title, Mortgage and the Real Wallet to the REMAX network. Just with the 700,000 annual transactions in the U.S., just capturing a portion of that will be huge for revenue at a high margin. RE/MAX.com and RE/MAX.ca generate roughly a million leads a year. Those are high-intent leads. Those are folks that visited the websites, looked at properties and wanted to receive more information. We want to put Leo to work on those websites so Leo can actually nurture the leads and then hand them over to an agent who's ready to transact and take the buyer through the process. So we think that there is a potential to monetize significantly over there.

And just generally speaking, I think that coming in with Real's growth mindset and just a stronger value proposition for the REMAX side, I think will help change the trajectory of the growth in agent count in the U.S. and Canada. We believe that with a stronger value proposition and the right messaging and the right energy, we can get REMAX back to growing their agent count in North America and obviously create a platform where every agent in North America can find a home where there is no better alternative for anyone. They can choose either to be on the Real model or on the REMAX model, but they don't need to search anywhere else for a brokerage.

Q: Thank you once again.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thanks, Jason.

Operator

Thank you. Your next question is coming from Nick McAndrew from Zelman & Associates. Your line is live.

Q: Hey guys, thanks for taking my questions. Maybe I just want to start, I think just given the franchising model of the REMAX business and assuming you're planning on keeping the REMAX fee structure in place, do you see this as a way to reduce the cyclical nature of the business? And I guess just how different is the productivity profile of a legacy REMAX agent versus kind of a more mature Real agent today?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Ravi? Or what do you want me to take it?

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

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Sure, if you want to address the productivity point. Nick, the question was on the REMAX fee model and cyclicalities. I can take that and Tamir can address the second part. But, for sure, I think the franchise model and you've seen REMAX's results have been incredibly resilient throughout what's been a four-year downturn at this point. They've done an incredible job of protecting the bottom line, which reflects that franchise model, which is just stable and largely recurring with long-term contracts with franchisees.

And so we think it's a really attractive model. It does reduce cyclicalities. It does generate high margins in an asset-light nature. And so there are a million reasons we're excited about the REMAX transaction and the REMAX business and the less cyclicalities in the margins and revenue stream is one of the many.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

On the productivity profile, REMAX agents in 2025 closed around 10.3 transactions per agent on average. Real side was around six. And I believe we were number three in the industry. Obviously, the REMAX agent productivity is way up there and by far the best in the industry. This is significantly important when we're talking about the potential for ancillary services attachment because every agent that opts into a Title JV or uses one-year mortgage is a potential to drive two times more transactions compared to a Real agent or any other agent in the industry on average.

So we don't necessarily only think about the number of agents that REMAX has. We think about the number of transactions that those agents are bringing.

Q: Great. Yeah, thanks, guys. It's really helpful. And then maybe just one on the cost side, just thinking about the headcount efficiency, I think moving to 85 to 1 from 94 to 1 last quarter. I guess just when you think about transitioning REMAX franchisees and agents onto reZEN, does the scale of the REMAX network meaningfully accelerate some of the internal AI investments you've already done in broker jobs, just getting that larger agent base?

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

I don't think they're necessarily related because the technology we're building is really quite scalable, right? It's already being used by 30,000 plus agents across North America and bringing on another 75,000 in North America. It's not going to require a commensurate increase in our investment.

I mean, technology is scalable by definition. I think the continued business will continue to invest heavily in AI and tech because that's in our DNA and that's our competitive moat, but I don't think it's going to significantly change the level of intensity of investment and that's because it's already quite intense relative to peers and relative to our own budget.

With that being said, on the headcount efficiency ratio, I did want to just point out that it is going to be largely P&L neutral. It was a conversion of certain contractor roles to full-time employees, which Jenna mentioned in her script, is really to drive better service, better local market expertise. Also, the brokers that we brought on as full-time employees, a portion of their compensation is going to be tied to driving ancillary attachment in their market. I think it's a win-win for our brokers, for our agents, and for the company.

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Q: Got it. Thanks, Ravi. That's helpful.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Sure. Thanks, Nick.

Operator

Thank you. [Operator Instructions] Your next question is coming from Michael Rindos from Benchmark StoneX. Your line is live.

Q: Hey, guys. Thanks for taking the question. Good morning. Can you talk a little bit about what the firm is doing to stimulate agent growth in markets with higher median sales prices?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Sure. Hi, Michael. As we communicated, we added Jason Cassity as our Chief Growth Officer about two months ago. Jason is now overhauling the entire growth strategy. We're starting to do more outreach. In the past, all of our agent growth has been organic and we've been fielding inbound inquiries. Now, we're starting to be a little bit more strategic in outreach and nurturing relationships with teams and individual agents in markets that we think are strategic for us.

We also have the Luxury Division where the Luxury Division focuses on the high-end properties in each market. We're venturing slowly, slowly, slowly into higher price points in every market. So I hope that answers the question. I also have to mention that following the announcement of joining forces with REMAX, we have seen tremendous inbound inquiries related to growth and a lot of interest.

And our agents are having a lot of conversations with people that are interested in joining. We believe that once we close the transaction or even before that, we will see an uptick in growth. And that uptick will very likely also be coming from agents that are more productive, care more about the branding, and care more about being affiliated with a more established name. I think that move establishes us as one of the top brokerages, but it gives a lot of comfort to agents that are on higher-end markets.

Q: Okay. Thank you.

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Thanks Michael.

Operator

Thank you. There are no further questions in the queue. I'll now hand the floor over to CFO Ravi Jani for questions from retail investors.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

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Great. Thank you, Matthew. Now that we've completed the analyst Q&A, I'd like to address some of the questions that were submitted through the Say Technology Shareholder Portal. We received a number of great questions this quarter, so I appreciate everybody who participated.

Tamir, you addressed this a little bit in your prepared remarks, but how will Real increase revenue from the REMAX acquisition?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Thanks for the question. We believe that it starts with improving the value proposition for agents and franchisees. As you know, Real has been one of the only major publicly traded brokerages who consistently delivered strong organic growth through both strong and weak housing markets. We believe that comes from the combination of our technology platform, our flexible model, and highly collaborative agent community. So by bringing tools like reZEN and Leo AI, Real Wallet, and our integrated services into the arsenal of REMAX franchisees and agents, we believe we can help drive stronger agent attraction, retention, and franchise growth.

But beyond that, as I noted in my prepared remarks, the scale of the combined network creates a meaningful opportunity to grow our high margin mortgage title and fintech businesses while creating new revenue streams from website leads and just monetizing those website leads. And while the transaction economics don't depend on these revenue opportunities, we certainly will be focusing on delivering them.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thanks, Tamir. I'll take the next question. Are you concerned about taking on debt, and what is the timeline to pay it down?

So we're approaching leverage very conservatively, and we're encouraged because both businesses are highly cash generative, their asset light. REMAX brings recurring franchise revenue, which creates a lot of visibility into the future free cash flow of the company. And so our first capital allocation priority post-close will be deleveraging, and we expect to reach the two times net debt-to-adjusted EBITDA by the end of the second full fiscal year following close.

And as we delever, we'll see both a stronger balance sheet and stronger earnings as we reduce the associated interest expense. And so we think that the debt balance is quite manageable. Even pro forma post-close, the leverage of the business will be lower than REMAX standalone. And so that's on a net leverage ratio basis. And so we'll continue to have the ability to invest in our agents, in our franchisees, in the tech platform and ancillary businesses, so full speed ahead on that while having significant cash to delever.

Next question for Jenna. What is the plan to transition REMAX agents onto the Real platform? Will there be any changes to the model?

Jenna Rozenblat - Chief Operating Officer, The Real Brokerage Inc.

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Thanks, Ravi. These are great questions. So first, Real and REMAX are going to continue operating as distinct brands with their distinct models and value propositions. There's not going to be any forced migration of REMAX agents or franchisees onto the Real model.

They'll stay completely separate. What this does open up though, however, is access to the technology and services that we've built to help make agents' jobs easier and more efficient. That includes our proprietary software reZEN, Leo AI, Real Wallet, ancillary services, and consumer lead generation tools. And these tools are the same tools powering Real's operations, so franchisees stand to benefit from the same operational efficiency that we've built into our own business.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

Thanks, Jenna. And last question for Tamir. What is the projected timeline to complete the acquisition of REMAX? And what are your three largest hurdles pertaining to the deal during this period of time?

Tamir Poleg - Co-Founder, Chairman and Chief Executive Officer, The Real Brokerage Inc.

Great question. On timeline, we expect to file the necessary documents over the next few weeks. The transaction, as you know, requires shareholder approvals on both sides and standard regulatory clearances. So based on typical timelines for transactions of this type, we are targeting a close in the second half of the year, as we communicated before, and we will provide a more specific window as we get further into the process.

On the three biggest things we are focused on, first, it's ensuring agent and franchisee retention through the transition. REMAX network has built very deep relationships with the franchisees over many, many decades. The most important thing we can do between signing and closing is to communicate very clearly and demonstrating to REMAX agents and franchisees as well, and also Real agents, that their businesses are going to be better and not disrupted by this combination. And if we do that well, we hope that retention piece will just take care of itself.

Second, operational stability on day one. When we close, agents and franchisees on both sides of the combination need to wake up and find their businesses running exactly as they were the day before. This is a non-negotiable for us at this point, and we are doing the integration planning work now before we close so that the day of close is going to be a boring day in the best possible way.

And then I would say third, just being laser focused on delivering the synergies. We're targeting \$30 million in run rate savings, grounded in Real duplicative overhead and corporate costs, but synergies don't realize themselves. We need to work for that. They require thoughtful decisions. They require disciplined execution and organizational alignment. We have a clear roadmap and we are holding ourselves accountable to it.

So those are the three, and we think about them honestly all day, every day.

Ravi Jani - Chief Financial Officer, The Real Brokerage Inc.

All right. Thanks, Tamir. With that concludes our shareholder Q&A. Matthew, could you please provide replay instructions and close the call?

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Operator

Certainly. Ladies and gentlemen, this concludes today's conference call. Today's conference call will be available for replay. Our replay phone number is 877-481-4010. The replay code is 53761. And once again, the replay phone number is 877-481-4010. The replay code is 53761.

You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.

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