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reAlpha Tech Corp. (AIRE-NASDAQ)

AIRE: With Potentially Transformative Impact of NAR Settlement, AIRE Sees its AI Platform as Strategic Industry Disruptor

Real estate technology company reAlpha believes AI can be a disruptive technology in the proptech space and that it can gain market share by leveraging its growing portfolio of AI-enabled applications to make it easier and more convenient for buyers to research market trends & make informed decisions regarding real estate transactions. To promote its commission free platform and brand, the company recently formed a strategic media-for-equity investment of $5m.

OUTLOOK

In 1Q25, AIRE acquired GTG Financial, a mortgage brokerage company licensed in 7 states including California, expanding reAlpha's footprint to 28 states. The company's goal is to operate a nationwide presence by the end of 2025, which is expected to be a catalyst to accelerate revenue growth. To enhance its financial flexibility, this week reAlpha entered into agreements for the exercise of warrants, with gross proceeds expected to be about $3.1m.

Current Price (4/4/25)	$1.04
Valuation	**$3.00**

SUMMARY DATA

52-Week High	**$4.49**
52-Week Low	**$0.53**
One-Year Return (%)	**NA**
Beta	**NA**
Average Daily Volume (sh)	**289,795**
Shares Outstanding (mil)	**46**
Market Capitalization ($mil)	**$27**
Short Interest Ratio (days)	**NA**
Institutional Ownership (%)	**NA**
Insider Ownership (%)	**72**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2025 Estimate	**N/A**
P/E using 2026 Estimate	**N/A**

*2024 PF

Risk Level	**Above Avg.,**
Type of Stock	**Small-Blend**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	0 A	0 A	0 A	0 A	0 A
2024	0 A	0 A	0 A	0.5 A	1 A
2025	0.5 E	0.6 E	0.6 E	0.7 E	2 E

EPS / (LPS)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023					-$0.13 A
2024	-$0.03 A	-$0.03 A	-$0.05 A	-$0.06 A	-$0.17 A
2025	-$0.04 E	-$0.04 E	-$0.04 E	-$0.04 E	-$0.16 E

Quarters might not sum due to rounding, share counts

Disclosures on page 8

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RECENT RESULTS

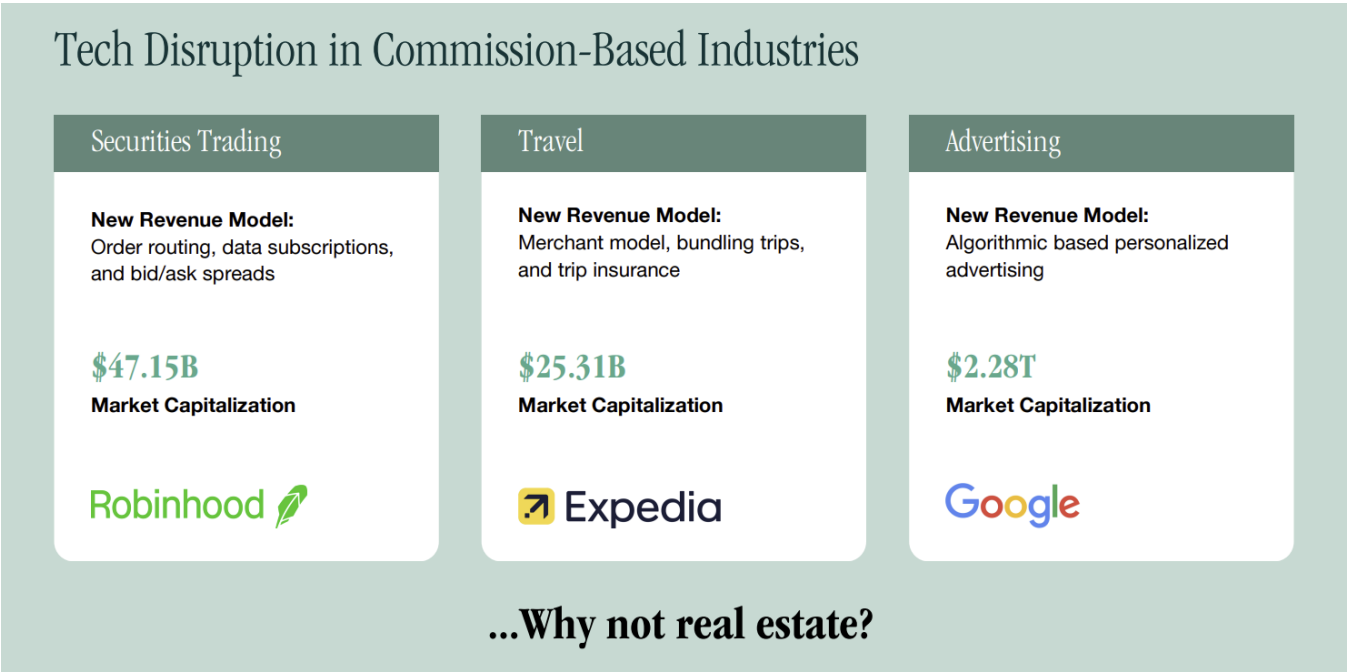
Comps not apples-to-apples on discontinued business in 2024, 2023 1-time gain

reAlpha Tech Corp. (Nasdaq: AIRE), a real estate technology company developing an end-to-end **commission-free** homebuying platform leveraging artificial intelligence (AI) technologies, reported 2024 results last week. Revenue reached $948k at this early stage in the company's development (see below) in 2024. The company believes it can make it easier for prospective homebuyers, sellers and realtors to find or sell properties at appropriate prices and minimize the challenges of navigating through the process by using the homebuying guidance tools available to them on the reAlpha platform.

For most people, purchasing a home is probably the largest financial transaction they make. Real estate is the world's largest asset market, according to *The Economist*. Given that purchasing a home is likely probably the largest financial transaction most people make and the world's largest asset market, according to *The Economist*. This makes it paramount that prospective buyers and sellers obtain pertinent information before entering into a transaction. Currently, the process of analyzing a real estate property as a potential investment can be cumbersome as prospective buyers must search multiple databases. reAlpha helps streamline the process by searching and delivering information about prospective properties based on investment criteria established by the prospective buyer / seller.

Potentially transformative impact of recent NAR settlement; company views AI as strategic industry disruptor

The company believes AI can be a disruptive technology in the proptech space and that it can gain market share by leveraging its growing portfolio of AI-enabled applications to make it easier and more convenient for buyers to research market trends. reAlpha is developing a portfolio of technology solutions that enable prospective buyers, sellers or renters to analyze properties in order to make informed investment or divestiture decisions. **To promote the platform and brand**, the company recently formed a strategic investment of $5 million from Mercurius Media Capital, a media fund that provides advertising inventory in exchange for equity in companies, in exchange for preferred shares.



Source: Company presentation

Importantly, the reAlpha real estate technology platform is commission free. reAlpha expects the platform to benefit from an expected significant shift in how transactions are conducted in the real estate sector following a recent landmark decision in the NAR case, which is generally viewed as launching a transformation in the real estate industry that includes the elimination of 6% standard commissions and made commissions negotiable. In fact, many within the industry believe the NAR decision could lead to a paradigm shift within the residential housing market. In fact, according to the New York Times citing industry players, "With [the NAR] settlement, the process of buying and selling a home is now in for another historical change.

The company's 2024 results were impacted by the reAlpha board's approval to discontinue the company's legacy rental business reflecting macroeconomic conditions, including the high interest rate environment and inflationary pressures, as well as the uncertain economic outlook. With its exit from this business, AIRE recognized a goodwill impairment of $17.3 million. Revenue for 2024 came in at $948,420, primarily reflecting revenue from strategic acquisitions such as AiChat and Be My Neighbor completed in 2024.

Including the impact of the goodwill impairment noted above, the company reported a net loss of about $26.0 million for 2024, compared to a net loss of about $2.46 million in 2023. In addition to the impairment charge, 2024 results were also skewed by a one-time gain of $5.5 million reAlpha recognized in 2023 from the sale of technology platform myAlphie. The loss from discontinued operations was about $18.3 million in 2024, compared to $0.31 million for 2023. The net loss from continuing operations was $7.68 million compared to $2.14 million. The latter included the sale of myAlphie in 2023.

Strategic initiatives in 2024 as company expects zero commission model will gain traction

The company completed multiple initiatives in 2024 to advance the reAlpha platform, as reAlpha launched its end-to-end, commission-free homebuying platform in April 2024. By eliminating commission fees, reAlpha expects to transform the homebuying experience. The company expects the reAlpha platform to generate revenue from closing costs and additional services following the transaction such as potentially helping homebuyers find a mortgage that meets their needs, managing the title search process, and obtaining homeowner insurance, among other potential revenue sources. Moreover, the platform is available to users 24-7, which is also expected to make the tools attractive to users who need to obtain information and other useful services outside of standard business hours.

The reAlpha platform is an AI-powered real estate agent that operates with zero-commission to buyers. The company expects it to benefit from the settlement earlier this year by the National Association of Realtors (NAR) of a class-action lawsuit and agreement to change the way real estate fees are levied. The platform offers AI-backed tools to support real estate transactions with no broker commission. Given the impending fees that the NAR settlement likely will impose on real estate transactions, the company believes its zero fee feature will be attractive to homebuyers.

AIRE believes its zero commission model will gain traction with users and that it can generate revenue from multiple related services including helping to obtain and research mortgages, providing moving in services and information and enabling users to leverage its growing database to help make purchase decisions, among other services.

Because reAlpha does not charge commissions, as noted, the company's tagline is *"No fees, just keys."* The company is designing the reAlpha platform to provide end-to-end solutions that cover the entire range of steps involved in the real estate transaction process, ranging from the initial process of finding properties, closing deals and obtaining financing to having a property inspected and moving into or out of the property.

Strategic M&A to enhance growth includes recent GTG acquisition

As AIRE expands its solutions portfolio, the company continues to add complementary businesses and technologies organically or through strategic M&A, with acquisitions a key component of reAlpha's growth strategy to broaden the range of services related to residential real estate transactions that it offers, while maintaining zero commission and charges. Thus, in addition to developing proprietary AI-backed technologies, AIRE also plans to continue acquiring companies with complementary technologies that can accelerate its growth. In fact, strategic M&A is a critical component of the company's footprint growth strategy.

The company also acquired a controlling stake in Hyperfast Title in July 2024, which enabled AIRE to offer title services in 3 U.S. states, as well as an 85% stake in AiChat in July 2024, which enhanced reAlpha's AI capabilities in conversational customer engagement and expanded its presence in the Asia-Pacific region. In addition, the company launched the reAlpha Super App in August 2024, which provided homebuyers with the ability to use the reAlpha platform and its AI-driven homebuying services directly in their mobile devices, and completed the acquisition of Be My Neighbor, which enables AIRE to offer mortgage brokerage services in multiple U.S. states. Be My Neighbor was licensed in a total of 28 U.S. states by year-end 2024.

In 1Q25, the company acquired GTG Financial, a mortgage brokerage company licensed to operate in seven U.S. states, including California, which expands reAlpha's geographic footprint to a total of 28 U.S. states. As the company builds out its geographic reach – its goal is to operate a nationwide presence by the end of 2025 – this expected expansion would likely be a catalyst to accelerate revenue growth.

Balance sheet measures

At year-end 2024, the company had cash and cash equivalents of $3.1 million to support its growth initiatives. This week, reAlpha entered into agreements for the exercise of warrants, with gross proceeds to the company expected to be about $3.1 million.

AIRE has completed a number of measures to enhance its financial flexibility. For example, in 3Q24, the company entered into a $5.5 million note purchase agreement with Streeterville Capital due months following the date of issuance. In December 2024, the company's board approved a cryptocurrency investment policy to hold certain cryptocurrencies not to exceed 25% of the value of cash and cash equivalents as treasury reserve assets. The company also raised gross proceeds of $231,236 through an ATM (At the Market) agreement that has subsequently been terminated.

VALUATION

AIRE is optimistic about its growth plans and strategy as it expands its presence in additional states and adds new AI-supported services it offers on the platform. With recent M&A transactions discussed above, AIRE has potentially expanded its footprint in up to 33 states. reAlpha intends to continue to add new brokerage licenses to further expand its footprint and targets reaching a nationwide presence by yearend 2025.

We forecast about $2.4 million in revenue in 2025. Reflecting potential concerns about the economic outlook, we assign a 85% risk adjustment multiple to our 2025 revenue forecast at this point. If revenue ramps faster than we anticipate and concerns about the economic outlook particularly given the expectation of tariffs and other government measures lessens, our confidence factor might prove conservative and we might increase / lower our confidence multiple in the future.

We believe it is difficult to compare AIRE shares to those of other publicly traded companies. Nevertheless, using public companies that operate in the space as a benchmark, on a price-to-sales (P/S) basis, these players trade at a wide range of multiples of forward revenue that range from <1x to >7x. We would expect AIRE to record faster growth at this early stage in its development off a significantly lower base. If the company successfully expands its operating footprint to achieve a nationwide presence by the end of 2025, we believe it could generate significantly higher revenue by 2026-27 in the $15 to $18 million ranges. We apply a P/S multiple at the higher end of the above noted range and also apply the above noted risk adjustment discount for the higher risk AIRE faces. On this basis, we derive a valuation of about $3.00 per AIRE share.

If the company delivers milestones earlier than anticipated, it could impact these multiples and adjustments. Conversely, any delay or failure in successful execution of the company's strategy could represent a potential risk to our valuation and cause the share price to decline. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

RECENT NEWS

- On April 6, 2025, reAlpha announced the exercise of warrants for $3.1 million gross proceeds.
- On April 1, 2025, the company announced 2024 results.
- On March 9, 2025, AIRE secured a $5m media-for-equity investment.
- reAlpha acquired GTG Financial, Inc. on February 23, 2025.
- reAlpha appointed Vijay Rathna as Chief Crypto Officer on February 5, 2025, and Piyush Phadke as CFO on January 29, 2025.
- On December 19, 2024, reAlpha launched an enterprise version of its platform for corporate relocation programs.
- On November 20, 2024, reAlpha acquired USRealty and invested in Unreal Estate to facilitate its expansion into 33 U.S. states.
- On November 11, 2024, reAlpha announced a roughly 440+% 3Q24 revenue increase.
- On October 17, 2024, reAlpha's 'Be My Neighbor' subsidiary secured a mortgage broker license in New Mexico.
- On October 13, 2024, reAlpha's subsidiary AiChat partnered with M1, a telecom provider, to launch an integration with WhatsApp Pay.
- reAlpha invested in Xmore AI to advance AI-powered cybersecurity solutions on September 29, 2024.
- On September 8, 2024, reAlpha acquired Be My Neighbor.

RISKS

We believe risks to AIRE achieving its goals, and to our valuation, include the following, among others.

- AIRE might not gain market share as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Government initiatives such as tariff impositions could cause economic repercussions that impact the real estate sector more than management anticipates.
- In fact, the inflation and interest rate environments might have a greater impact on overall transaction volumes and on revenue than the company expects.
- Economic and interest rate uncertainty could cause buyers to postpone purchases of real estate.

PROJECTED FINANCIALS

reAlpha Income Statement and Projections ($)

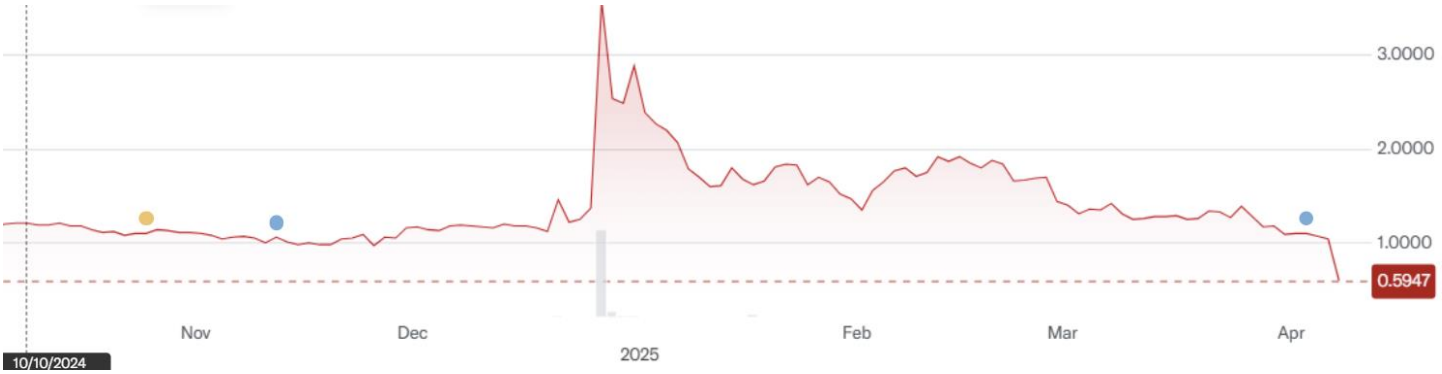
	1Q24	2Q24	3Q24A	4Q24A	2024A	1Q25E	2Q25E	3Q25E	4Q25E	2025E
Revenues	$20,426	$62,353	$339,227	$526,414	$948,420	$536,942	$561,105	$600,382	$672,621	$2,371,050
Cost of revenues	18,249	18,250	113,361	152,224	302,084	155,713	162,720	174,111	195,060	687,605
Gross Profit	2,177	44,103	225,866	374,190	646,336	381,229	398,384	426,271	477,561	1,683,446
Operating Expenses										
Wages, benefits and payroll taxes	418,902	476,179	779,561	1,166,949	2,841,591	1,167,416	1,166,248	1,166,831	1,155,163	4,655,659
Repairs & maintenance	749	846	1,537	84	3,216	85	86	87	87	344
Utilities	1,663	979	2,555	6,348	11,545	6,411	6,476	6,540	6,606	26,033
Travel	46,964	64,317	75,424	72,956	259,661	58,365	58,948	59,538	60,133	236,984
Dues & subscriptions	12,360	24,385	37,491	44,420	118,656	44,864	45,313	45,766	46,224	182,167
Marketing & advertising	77,362	130,378	243,362	341,902	793,004	345,321	348,774	352,262	355,785	1,402,142
Professional & legal fees	468,725	311,792	441,569	902,860	2,124,946	361,144	364,755	368,403	372,087	1,466,389
Depreciation & amortization	71,453	69,331	163,439	(22,128)	282,095	(22,349)	(22,573)	(22,799)	(23,026)	(90,747)
Other operating expenses	211,497	176,162	170,548	353,061	911,268	176,531	178,296	180,079	181,880	716,785
Total operating expenses	1,309,675	1,254,369	1,915,486	2,866,452	7,548,950	2,137,787	2,146,324	2,156,708	2,154,938	8,595,756
Operating Loss	(1,307,498)	(1,210,266)	(1,689,620)	(2,492,262)	(6,902,614)	(1,756,558)	(1,747,939)	(1,730,436)	(1,677,377)	(6,912,311)
Other inc incl'g int inc	31,749	129,751	-	(161,500)						-
Interest expense, net	(10,802)	(1,041)	(119,485)	(202,431)	(333,759)					-
Other expense, net	(132,494)	(396,756)	(289,469)	318,118	(500,601)					-
Gain on sale & other	-	-	-	-	-	-	-	-	-	-
Total other (expense) income	(111,547)	(268,046)	(408,954)	(45,813)	(834,360)	(112,105)	(112,777)	(113,454)	(114,135)	(452,471)
Pretax income (loss)	(1,419,045)	(1,478,312)	(2,098,574)	(2,538,075)	(7,736,974)	(1,868,663)	(1,860,717)	(1,843,890)	(1,791,512)	(7,364,782)
Taxes				54,260	54,260	-	-	-	-	-
Net loss	(1,419,045)	(1,478,312)	(2,098,574)	(2,483,815)	(7,682,714)	(1,868,663)	(1,860,717)	(1,843,890)	(1,791,512)	(7,364,782)
Non-Controlling Interests	(65)	17	(26)	753	679	(374)	(372)	(369)	(358)	(1,473)
Other	-	-	(33,917)	(18,305,718)	(18,339,635)					
Net inc (loss) AIRE	(1,418,980)	(1,478,329)	(2,132,465)	(20,789,533)	(26,022,349)	(1,868,289)	(1,860,345)	(1,843,522)	(1,791,153)	(7,363,309)
EPS / (LPS) FD continuing ops	($0.03)	($0.03)	($0.05)	($0.06)	($0.17)	($0.04)	($0.04)	($0.04)	($0.04)	($0.16)
EPS / (LPS) FD	($0.03)	($0.03)	($0.05)	($0.46)	($0.58)	($0.04)	($0.04)	($0.04)	($0.04)	($0.16)
Avg shares out FD	44,122,091	44,224,893	45,135,287	44,883,432	44,631,577	44,883,532	44,933,532	45,433,532	45,433,582	45,171,045

Source: Company reports, Zacks estimates

*8-month transition period reflecting change in FY end from April 30 to Dec 31 effective Dec 2023

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HISTORICAL STOCK PRICE



Source: Yahoo Finance

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