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PRESENTATION

Operator

Good day, and welcome to the Redfin Corporation Third Quarter 2020 Earnings Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Chris Nielsen, Chief Financial Officer. Please go ahead, sir.

Chris Nielsen - Redfin Corporation - CFO

Good afternoon, and welcome to Redfin's Financial Results Conference Call for the third quarter ended September 30, 2020. Joining me on the call today is Glenn Kelman, our CEO. You can find a press release on our website at investors.redfin.com.

Before we start, note that some of our statements on today's call are forward-looking. We believe our assumptions and expectations related to these forward-looking statements are reasonable, but our actual results may turn out to be materially different. Please read and consider the risk factors in our SEC filings together with the content of today's call. Any forward-looking statements are based on our assumptions today, and we don't undertake to update these statements in light of new information or future events.

During this call, the financial metrics will be presented on a GAAP basis and include stock-based compensation as well as depreciation and amortization expenses. In the event we discuss any non-GAAP measures today, we'll post the most comparable GAAP measure and a reconciliation on our website. All comparisons made in the course of this call are against the same period in the prior year, unless otherwise stated.

With that, let me turn the call over to Glenn.

Glenn Kelman - Redfin Corporation - President, CEO & Director

Thanks, Chris, and hi, everyone. Redfin's third quarter net income and revenues were better than we projected in our last earnings call. Net income increased from \$6.8 million in the third quarter of 2019 to \$34.2 million in the third quarter of 2020. Gross profit was \$93 million, up 74% from the third quarter of 2019. Third quarter gross margins for real estate services increased year-over-year by 870 basis points to 43.8%.

Revenue declined 1% from the third quarter of 2019 to \$237 million, but this was due to a pandemic-driven shortfall in the number of RedfinNow homes we could sell. Our RedfinNow business of buying and selling homes has an outsized impact on revenue because we have to account for the entire home value, not just the transaction fees we get from a brokered sale.

In our core business of brokering home sales through Redfin agents and through other firm's agents working as our partners, revenues increased 36% compared to the same quarter last year. After a first-ever year-over-year decline in market share of 1 basis point in the second quarter, our

share increased 8 basis points year-over-year in the third quarter to 1.04%. The gain would have been larger had we recruited more agents as Redfin employees or as Redfin partners. In September, we gained 14 basis points year-over-year, our greatest monthly share gain since December of 2019.

Keeping pace with demand is Redfin's #1 challenge. Year-over-year growth in customer inquiries for Redfin agents or our partner agents increased from 38% in July to 58% in October. If October's year-over-year demand growth remains at the same level to start 2021, we'll have to increase our agent capacity 13%. In our last call, we said it would take until the end of 2020 to hire enough employees and partner agents to serve all our customers, but it's now likely that we won't be able to match supply with demand until the second quarter of 2021. This will limit share gains through the first half of 2021.

From July 1 through October 31, the team recruiting employees and partners as agents is more than doubled. Beyond the nearly 500 lead agents who returned from an April furlough, we added 278 employees as lead agents. These new hires increased our lead agent census by 17%. Our most serious challenge now is increasing the capacity of the contractor network we use for some on-demand tours.

Despite our safety protocols, some of these contractors, known as associate agents, have limited their availability to meet customers until the pandemic ends. From July 1 through October 31, we've added 373 associate agents, increasing our network by 14%. Our challenges in recruiting Redfin agents as both employees and contractors have only increased the importance of our referral partners who serve customers when Redfin agents can't.

Revenues from partner referrals increased 93% year-over-year. We've recruited nearly 800 partners since July 1, an increase of 17%. From July 1 to October 29, the likelihood that a listing page we load won't have a Redfin agent or a partner agent to offer service has decreased 44%.

To recruit more Redfin agents and partners, we're broadening our digital marketing expertise beyond acquiring customers to recruit agents and lenders. These campaigns can draw on formidable assets. Our culture, our training programs for people new to real estate, and redfin.com's authoritative status among hundreds of thousands of traditional agents.

We don't know yet how our campaigns will perform, but our goal is to increase our capacity and our agility, letting us hire faster when demand increases. Because demand has so far outpaced our supply of agents, we've put our development of 2021 mass media ads on hold. It would be madness to woo customers we aren't sure we can serve well. If conditions change, it would then take us 8 to 10 weeks to get an ad on the air. We may still run mass media ads later in 2021.

In any event, we'll keep paying for direct ads mostly through Google and Facebook because we can target those ads to markets where we have enough agents. We project that our direct marketing campaigns will for the first time since 2017 generate full year contributing profits in 2020. What's remarkable about a business of our size and history is just how much of our growth seems likely to happen with or without ads. The largest source of demand growth has been in the market, but we're also benefiting from significant increases in our share of listing search traffic and improvements in our ability to persuade website visitors to give Redfin agents a shot.

Comparing the third quarter of 2020 to the same quarter last year, average monthly unique visitors increased 38%, an acceleration from the second quarter's 16% year-over-year growth. Based on industry data about searches on Google, competitors' traffic, tours arranged by showing time and home sales, we believe less than half of our traffic growth is market-driven. The rest is the result of redfin.com ranking higher for more Google searches and a higher likelihood that visitors will return to redfin.com from month-to-month. We believe that traffic gains will keep accelerating driven in part by machine learning breakthroughs rolling out through January.

Because of the market, more redfin.com visitors arrive on our site eager to buy or sell a home. But side-by-side experiments indicate that Redfin is also getting better at persuading visitors to become customers. We're constantly optimizing redfin.com channels to get more and better brokerage inquiries. But what has made the most difference is broadening the range of customer questions we can answer via licensed agents in a service center and broadening the range of products we can offer those customers, especially in RedfinNow markets.

When you have a qualified local expert on hand, who can give a customer all the options for selling one home and buying another, more customers are going to contact you. Even better, our pricing now encourages customers to buy more than one service from us. The change we rolled out at

the beginning of 2020, limiting a 1% listing fee to listing customers who also buy their next home with us has modestly increased -- or excuse me, has modestly lowered listing demand. But the lost listing transactions have been more than offset by an increase in purchase transactions from listing customers who use Redfin for their next home. The result has been more transactions at higher overall prices.

The increase in demand has been the main reason that third quarter gross margins for real estate services have improved so much year-over-year because we can't hire enough agents for routing nearly half our inquiries to partner agents. We generate less revenue from those referrals, but nearly all of that revenue is profit. Our brokerage is also becoming more lucrative with revenue per sale up 13% in the third quarter of 2020 compared to the same period last year. More of our brokerage customers want expensive homes, and homes are getting more expensive with September prices up 14% year-over-year.

That we're meeting customers who are more serious about their move has also improved brokerage efficiency. In our August call, we looked at the customers who went on their first home tour in May, June and July of 2019, comparing them to the customers going on a first tour in May, June and July of 2020. We predicted that 2020's customers were at least 10% more likely to buy a home based on their redfin.com activity the week after their first home tour.

Now 90 days after that first tour, we know this prediction was an underestimate. The customers for May, June and July of 2020 have been about 20% more likely to make an offer on a home through a Redfin agent. Not all of these offers will pull through, year-over-year gains in lead agent productivity were only 2% in the third quarter, in part because the intense bidding wars that were once common in San Francisco are now a national phenomenon, making it harder to get an offer accepted. But what really limited productivity gains has been our higher level of hiring. To broaden the range of customers we can serve, Redfin added 248 lead agents in the third quarter of 2020 and compared to losing 43 in the third quarter of 2019. Since a typical new agent takes 3 months to close their first sale, hiring lowers average productivity.

We'll keep improving lead agent productivity by reducing the number of tours where customers have no interest in buying a home whatsoever, by adjusting the number of customers an agent supports based on our performance, by improving our systems for customer follow-up, and by attracting the best agents. But even with these improvements, as the housing boom subsides, gross margins from real estate services may decline from the elevated levels in the past two quarters.

Some efficiency gains should carry over from 2020 to 2021, and we also expect the brokerage to keep growing. But our investment in other potentially massive businesses should also start to pay off. The new business most deeply integrated into our brokerage is RedfinNow. And the most important RedfinNow result has come from offering customers a choice between an instant offer and a brokered sale.

In our last call, we reported on a pilot that used one sales force to present a RedfinNow offer and a pitch of Redfin listing consultation. This pilot doubled the rate at which RedfinNow inquiries led to sales opportunities for our listing agents. And this result gave us the confidence to expand RedfinNow aggressively, starting with the addition of our 15th RedfinNow market, Sacramento, in October.

For Redfin, iBuying has only been compelling as part of a complete solution where the essential component of that solution has always been brokerage service. Even when a pandemic has made a brokered sale less appealing most homeowners who ask about an instant offer end up listing their home. At some point, it may also be true that most people who end up listing their home may start that process by exploring an instant offer. Other competitors are only just now beginning to realize that Redfin's holistic approach to instant offers and brokered sales is a decisive advantage over stand-alone iBuyers and brokers.

Despite the encouraging results from an integrated sales force, RedfinNow still had to ramp up for a near standstill in the third quarter. We largely stopped buying homes in April and didn't make a significant number of offers until June. We entered the third quarter with only 17 homes to sell, 91% less than at the start of the same period last year. From the point at which a customer asks for an offer on a home, it typically takes 5 months for us to sell that home. Since we don't expect the offers we made in June to generate revenue until November, RedfinNow is unlikely to grow year-over-year until the first quarter of 2021.

Since the RedfinNow employees returning from furlough have been busy buying homes, not preparing them for sale. RedfinNow's gross margins declined from negative 0.9% in the third quarter of 2019 to negative 7.7% in the third quarter of 2020.

Even as the cost of ramping up RedfinNow's workforce of homebuyers swapped our overall margins, The premium between RedfinNow's offer prices and sale prices increased. RedfinNow's profitability should be better than ever once our new employees have completed a cycle of purchases and sales. The question is whether the market will hold. It's easier to sell for a premium when market-wide prices are increasing every month we hold the home.

In deciding how much to bid on a home in the third quarter, we held the line against assumptions about market-driven appreciation. But the homeowners recently evaluating RedfinNow offers haven't been willing to ignore this pandemic-driven boom. Even after accepting a RedfinNow offer some reneged listing the home with an agent or taking another iBuyers offer. We're raising our offers in the fourth quarter, increasing volume at the potential expense of margin, but we still expect to be more disciplined than other iBuyers.

Other businesses also have growing pains. The most serious of these are in Redfin's title business, Title Forward. We lost some employees due to a furlough and then others quit just as demand came roaring back, which forced us to stop taking orders for most of July. We've now set up partnerships to perform the most cumbersome administrative task, which should lower cost, improve employee satisfaction and let us adapt more quickly to ups and downs in demand. We've deployed new software, replacing one vendor built system with a better one. We expect a new executive to lead this business in 2021. After losing money in 2020, Title Forward should be a reliable source of profits.

Redfin Mortgage meanwhile, had a major breakthrough. It's first quarter of gross profits. Third quarter gross margins were more than 30%. Mortgage revenues for the quarter nearly tripled year-over-year, lifted by a near doubling in revenue per loan. with rates below 3% and competition for mortgage talent fierce, Redfin has like many lenders, limited volume by raising loan prices.

Despite increasing pay for a dozen roles, Redfin Mortgage has struggled to staff our back office as other lenders woo entry-level workers with \$20,000 or \$30,000 signing bonuses. Like the brokerage, Redfin Mortgage's transaction growth is gated by our hiring, a problem we'll attack in the same way with more recruiters, new digital marketing tactics, and an ability to develop people with no industry experience. The only difference is that Redfin Mortgage probably has more untapped sources of demand than the brokerage. Even when the housing boom subsides and rates increase, Redfin Mortgage can grow fast for years. Just expanding to the West Coast will increase the percentage of our brokerage homebuyers that Redfin Mortgage can serve from 65% to 94%.

We've developed the ability to handle refinancing, and new marketing channels for promoting Redfin Mortgage directly to millions of redfin.com visitors, not just brokerage customers, we'll open those demand channels as Redfin Mortgage staffs up. The faster Redfin can hire, the faster we can accelerate share of revenue growth, but what matters most is hiring the best, most diverse workforce, not filling positions quickly. For many roles and especially senior roles, our recruiters must interview at least one candidate from an underrepresented group.

The goal of this slating program has been to broaden our recruiting networks, but what may matter more is that our rapidly growing recruiting team itself has become more diverse. One result, the percentage of Redfin employees who are people of color increased from 31% in June to 32% in September. That gain is encouraging. But we've been focused on diversity long enough to know that recruiting people of color is only half the battle. Redfin has to be a great place for black, Latinx, Asian and indigenous employees to move up. In August, we changed the promotion policies for our largest group of employees, real estate agents, eliminating customer survey data as a criterion. I've been an advocate for using this customer service satisfaction data to avoid manager bias and to focus Redfin on customers over profits. Since some customers expressed dismay toward a black agent the moment he steps out of his car, we just need to be as vigilant against customer bias as manager bias.

What surprised me after we made this change was how many black agents called me on a policy change that I thought was obscure. It's a lesson and how differently we see the world depending on who we are and whom we talk to. And it's one reason why the appointment in August of a black executive to our Board, Kerry Chandler, has also been important to our governance and our culture.

Before turning the call over to Chris, let's assess the housing market. When I was a kid, the scariest movie I ever saw was The Thing. It was about a monster that killed people in an Arctic research station and then impersonated them. The only way you could identify the monster was by testing a small blood sample with a probe, at which point the blood exploded, and Kurt Russell blasted another one of his colleagues with a flame thrower. This analogy makes no sense, except the images of the exploding blood and the flame thrower are what always come to mind when people ask me about today's housing market. I see this is a also a good reminder to treat colleagues under pressure with kindness.

Mortgage rates are at 2.8%, a record low. The number of homes for sale in September was down 23% to a record low. 34% of September sales were for above the asking price compared to 23% last September. 48% of listings accepted an offer within 2 weeks of their debut, up from 35% last September. And October is likely to be even more intense. September pending sales increased 33% year-over-year, while home sales increased less, 18%.

Millennials who grew up buying textbooks on Amazon have come of home buying age with a lower proportion of U.S. home sales coming from the baby boomers who have been so hesitant to try a new service like Redfin. People are moving to idyllic places where they never thought they could both live and work like Bend Oregon. They're also moving to the outlying areas in New Jersey. Homebuyers still want houses in expensive coastal cities, but urban condos, long prized for their proximity to an office are now hard to sell. We can argue about how many folks plan to leave the most expensive cities, but the larger issue is that almost no one is taking their place. Inventory is up 51% in San Francisco and up 20% in New York City. Meanwhile, builders who at the start of this bull market were focused on urban infill, now have the confidence to undertake large developments on cheap land, far from urban centers.

The October builder confidence index is at its highest recorded level. Nearly 1 in 6 listings on the market is newly built up from 1 in 7 a year ago. Presales, where a buyer commits to a home still being built have become more common. This won't last forever or even for another week, if our society can't keep it together for the time it takes to count all the ballots. But what's most likely is that the housing market stays strong heading into 2021. And even when the market cools the capacity we're building now will be put to good use. Our bets on the future aren't based on a boom, but on competitive advantages, more than a decade in the making.

With that, let's hear from Chris.

Chris Nielsen - Redfin Corporation - CFO

Thanks, Glenn. As we continue to deal with the impacts of COVID-19, our third quarter results exceeded our revenue and profit projections. Third quarter revenue was \$237 million, down 1% from a year ago. Real estate services revenue, which includes our brokerage and partner businesses, increased 36% year-over-year. Brokerage revenue or revenue from home sales closed by our own agents was up 33% on an 18% increase in brokerage transactions. Revenue from our partners was up 93% on a 48% increase in partner transactions.

The property segment, which consists of homes sold through our RedfinNow program, generated \$19 million in revenue, down 76% from 1 year ago. As Glenn mentioned, this decline was the result of having halted RedfinNow purchases in April and May. So we just didn't have much inventory as we started the third quarter.

Our Other segment, which includes Mortgage, Title and other services, contributed revenue of \$8.5 million, an increase of 65% year-over-year. Total gross profit was \$93 million, up 74% year-over-year.

Real estate services gross margin was 43.8%, up 870 basis points year-over-year. This is primarily attributable to a 350 basis point decrease in personnel costs and transaction bonuses, a 300 basis point decrease in home touring and field expenses, a 60 basis point decrease in listing expenses and a 40 basis point decrease in occupancy and office expenses, each as a percentage of revenue.

Properties gross margin was down 680 basis points year-over-year to minus 7.7%. This is primarily attributable to a 900 basis point increase in personnel costs and transaction bonuses as a percentage of revenue. And was partially offset by a 430 basis point decrease in home purchase costs and related capitalized improvements as a percentage of revenue.

We bought and sold homes better than we did in 2019, but we just didn't have enough volume to cover our fixed costs in the RedfinNow business.

Other segment gross margin was 30.8%, an increase of 2,990 basis points from a year ago. This was primarily attributable to a 1,480 basis point decrease in personnel costs and transaction bonuses, a 960 basis point decrease in outside services costs and a 220 basis point decrease in personal technology expenses, each as a percentage of revenue. As Glenn mentioned, Mortgage continues to scale very well.

Total operating expenses were up 22% year-over-year and represented 24% of revenue, up from 19% of revenue 1 year ago.

Technology and development expenses increased by 19% as compared with the same period in 2019. The increase was primarily attributable to an increase in personnel costs and hosted services expenses.

Marketing expenses increased by 49% from last year, driven entirely by an increase in marketing media costs as we expanded advertising. General and administrative expenses increased by 13% year-over-year, primarily attributable to an increase in personnel costs due to increased headcount achieving a higher target level for our performance-based restricted stock units and an increase in hosted services expenses.

Our net income, including stock-based compensation and depreciation was \$34.2 million compared to a net income of \$6.8 million in the third quarter of 2019. We also recorded a dividend on convertible preferred stock of \$1.5 million. Diluted income per common share was \$0.30 compared with diluted income of \$0.07 per share 1 year ago.

Now turning to our financial expectations for the fourth quarter of 2020. Revenue is expected to be between \$226 million and \$233 million, representing a year-over-year decrease between 3% and 0%. We expect our property segment to account for \$31 million to \$34 million of that revenue, representing a decrease between 69% and 66%.

On October 20, we closed an offering of convertible senior notes due in 2025. We received proceeds of approximately \$648 million from the notes offering after accounting for the initial purchasers' discount but not offering costs.

The accretion of the 2025 notes will be reflected in our fourth quarter financial results. We also repurchased approximately \$117 million principal amount of our convertible senior notes due 2023, using approximately \$107 million of the proceeds from our 2025 notes issuance and approximately 2.1 million shares of our common stock.

For the fourth quarter, net income is expected to be between \$2 million and \$5 million, compared with the \$7.8 million net loss in the fourth quarter of 2019. Yet again, this quarter, we expect for real estate services gross margin to increase as compared with the same quarter in 2019.

Our guidance includes approximately \$10.5 million of stock-based compensation, \$4.2 million of depreciation and amortization and \$7.5 million of interest expense associated with our convertible senior notes and other credit obligations. The guidance also includes approximately \$8.1 million of a onetime noncash expense associated with the repurchase of the 2023 notes that I mentioned.

In addition, we expect to pay a quarterly dividend of 30,600 shares of common stock to a preferred stockholder. This guidance assumes, among other things, that no additional business acquisitions, investments, restructurings or legal settlements are concluded and that there are no further revisions to stock-based compensation estimates.

And with that, let's open it up for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question will come from Edward Yruma with KeyBanc Capital Markets.

Kaseylyn O'Brien - *KeyBanc Capital Markets Inc., Research Division - Associate*

This is Kasey on for Ed. Could you provide an update on the seasonality trends you're seeing in the business? And do you expect this to normalize in 2021?

And as my second question, can you click down a little bit more on RedfinNow? Do you have any target number of homes you're aiming for 2021 as you expect that business to start growing again?

Glenn Kelman - Redfin Corporation - President, CEO & Director

Kasey. So first of all, seasonality has been strange this year. We had some demand deferred from the spring into the fall, but then we also had such a strong boom and that there's been almost no break in the action heading towards Thanksgiving. So it's really hard to say if things will slow down over the next few months. But we expect there will at least be a brief break in the action for the holidays before things roar back to life in January. The bigger factor is whether interest rates are going to stay low and the economy stays strong.

As for RedfinNow, we're not publishing 2021 targets. That team is trying to staff up very quickly. It's trying to expand to new markets. We want to be disciplined about our pricing, but we're going to be more aggressive than we have been in the past. So I would expect volume to increase.

Operator

The next question will come from Soham Bhonsle with SIG.

Soham Jairaj Bhonsle - Susquehanna Financial Group, LLLP, Research Division - Associate

Just last quarter, you guys noted some challenges around your sell-side business not having enough opportunities, just given the low inventory in the marketplace. So I was just hoping if you can maybe help us parse out the market share gain that you had in this quarter on your sell-side versus the buy-side of the business?

Glenn Kelman - Redfin Corporation - President, CEO & Director

We don't segment sell-side versus buy-side share gains in our reporting, but our buy-side business is growing faster than our sell-side business. We've built a listing search site that appeals to homebuyers. And increasingly, we're going to have to recruit sellers by talking to people about the home they want to buy and then the home that they need to sell in order to pay for that. We just don't have as natural of a demand channel for home sellers. People come to check the price of their home or what it would get by looking at the Redfin estimate, but we don't have as an appealing conversion channel, which would be something like on-demand tours. We've done better because we're now letting people look at what their home would be worth through a conversation with a real estate agent over the phone, and we're also giving them an instant offer. So broadening the product range and talking to people about their options through a call center has been more effective, but we still have more work to do.

Operator

The next question will come from Ygal Arounian with Wedbush Securities.

Ygal Arounian - Wedbush Securities Inc., Research Division - Research Analyst

Just first, I just want to maybe look at gross margins a little bit more closely, specifically on the brokerage side. So some of that's clearly coming from headcount. But Chris, you also highlighted a few other areas where you're getting gross margins. So to kind of cycle through this, hiring catches up, maybe demand slows down a little bit. I'm trying to understand how much of what we're seeing is structural from things that you guys have implemented to structurally make the margins higher versus things that might settle back down when hiring is more normalized and environment is a little bit more normalized. That's the first one.

Chris Nielsen - Redfin Corporation - CFO

I think it's really hard to parse between those 2 things right now. We do think that we've implemented some programs, made some improvements that have made fundamental differences on gross margin that should drive through going forward. But because things have been so disrupted in some ways with regard to how customers are acting this year, that it really is hard to pull that apart right now. So we do believe there's some of both. And I think the best way for us to see that actually is just as we get into next year and get into what's probably a little bit more of a normal, but still very busy environment.

Ygal Arounian - Wedbush Securities Inc., Research Division - Research Analyst

Okay. That's helpful. And then maybe, Glenn, you gave a lot of good color on RedfinNow and the iBuyer model and kind of what's happening in a hot market, having to pay higher fees and all that. So if we're kind of in an extended market where housing market is strong and sellers are getting multiple offers and they're selling their home quickly and the kind of consumer value proposition of the iBuyer model just isn't as strong. A, does that change how you feel about the iBuyer model? Do you think that it gives you, as Redfin, an advantage because of the way it fits within the rest of the model and have synergies with the listing part of the business? Obviously, a lot of focus on iBuyers these days. So I just want to get your take on what happens to that model if we have a real extended period of strength in the housing market?

Glenn Kelman - Redfin Corporation - President, CEO & Director

It's a great question. We don't need to own the house. We don't need to win the offer. If the market is roaring and people want to test their luck on the market by listing their home, we're fine. The only thing we want to be sure of is that the customer calls us to understand all their options. So we do think that being a stand-alone iBuyer and having all your eggs in one basket forces you to chase the market in a way that isn't necessary for us, and that limits our risk during an extreme time of volatility. And right now, I would say that 14% year-over-year growth in home prices in September is extreme volatility.

Operator

(Operator Instructions) The next question will come from Tom Champion with Piper Sandler.

Jim Callahan

This is Jim Callahan on for Tom. I think the first question I have, so I guess we saw the sort of mix between brokerage and partner shift towards partner. I'm just curious how you can kind of think about that mix going forward? And then I just had one more follow-up.

Glenn Kelman - Redfin Corporation - President, CEO & Director

I don't like the mix. We want to hire more Redfin agents and give people service from our own agents. We make more money that way, not on a percentage basis for gross margin, but in absolute dollars and gross profit. and we win that customer, hopefully, for life. So the reason the mix has shifted is because we can't hire fast enough. And it improves gross margins as a percentage. But I think we'll take more share when we serve those customers ourselves because we have a higher close rate when we meet the customer ourselves. We deliver what I believe is a better product for most customers.

What's the follow-up?

Jim Callahan

Awesome. That's helpful. And then I guess with RedfinNow, I'd be curious if COVID has kind of changed your approach at all when looking at markets to enter into with RedfinNow?

Glenn Kelman - Redfin Corporation - President, CEO & Director

I don't think COVID has affected it this much. I understand the argument for a contactless sale where you don't have people tromping through the house as the owner and instead, you vacate and let Redfin handle it or another iBuyer. What influences us more is just the success of our efforts to upsell. It used to be that when we got a RedfinNow offer, if the customer didn't take it, we lost that customer. But now increasingly, the customer calls us about a RedfinNow offer, decides against it, wants to list the home because the market is moving so fast, and they want to take advantage of that and we're able to be their listing agent. And if you couple that with some of the challenges we've had at converting website visitors to listing customers, we now have a product that is very effective at converting people off the website into inquiries who are looking to liquidate their home, and most of them are going to choose to liquidate it through a brokered sale. So I think that experiment more than anything else, has made us bullish about RedfinNow, not just as a stand-alone product, but as part of this complete solution.

And COVID hasn't been as relevant of a factor. Early in the pandemic, some sellers were really wary of having people walk through the house. There's still some of that. But I think they're just greedy too now, where they think, "Gosh, I can probably sell it in a week. People are going to be walking through the house, but that extra \$20,000, \$30,000, \$50,000 of upside is going to be in my pocket and not somebody else's."

Operator

I'm showing no further questions at this time. This concludes today's conference. You may now disconnect your lines, and enjoy the rest of your day.

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