RE/MAX HOLDINGS, INC. REPORTS THIRD QUARTER 2023 RESULTS

Total Revenue of $81.2 Million, Adjusted EBITDA of $26.7 Million

DENVER, November 2, 2023

Third Quarter 2023 Highlights
(Compared to third quarter 2022 unless otherwise noted)

- Total Revenue decreased 8.7% to $81.2 million
- Revenue excluding the Marketing Funds[1] decreased 8.8% to $60.4 million, driven by negative 8.2% organic growth[2] and adverse foreign currency movements of 0.6%
- Net loss attributable to RE/MAX Holdings, Inc. of $59.5 million and loss per diluted share (GAAP EPS) of $3.28
- Adjusted EBITDA[3] decreased 15.0% to $26.7 million, Adjusted EBITDA margin[3] of 32.9% and Adjusted earnings per diluted share (Adjusted EPS[3]) of $0.40
- Total agent count increased 0.7% to 145,309 agents
- U.S. and Canada combined agent count decreased 3.9% to 81,782 agents
- Total open Motto Mortgage franchises increased 14.7% to 242 offices[4]

Operating Statistics as of October 31, 2023
(Compared to October 31, 2022 unless otherwise noted)

- Total agent count increased 0.9% to 145,348 agents
- U.S. and Canada combined agent count decreased 4.1% to 81,432 agents
- Total open Motto Mortgage franchises increased 10.1% to 239 offices[4]

RE/MAX Holdings, Inc. (the "Company" or "RE/MAX Holdings") (NYSE: RMAX), parent company of RE/MAX, one of the world's leading franchisors of real estate brokerage services, and Motto Mortgage ("Motto"), the first-and-only national mortgage brokerage franchise brand in the U.S., today announced operating results for the quarter ended September 30, 2023.

"We continue to make progress driving forward our core strategic initiatives amid the toughest real estate market in a decade," said Steve Joyce, RE/MAX Holdings Chief Executive Officer. "We remain focused on aggressively pursuing agent growth opportunities – teams and conversions, mergers and acquisitions – in the U.S., increasing our Canadian and global agent counts, and growing our mortgage business."

Joyce continued: "In the third quarter, we also made two difficult but necessary moves in the current environment. First, we streamlined our operations and our cost structure. Second, we entered into a settlement to end costly litigation and protect the Company and RE/MAX network from multiple industry class-action lawsuits. Ultimately, we believe we will successfully navigate these challenging times and grow significantly when industry conditions improve – a pattern we've seen repeatedly for 50 years. The strength of our brands and networks are unmatched in many ways, and we believe our future is very bright."

Third Quarter 2023 Operating Results

Agent Count

The following table compares agent count as of September 30, 2023 and 2022:

	As of September 30,		Change	
	2023	2022	#	%
U.S.	56,494	60,115	(3,621)	(6.0)
Canada	25,288	25,018	270	1.1
Subtotal	81,782	85,133	(3,351)	(3.9)
Outside the U.S. & Canada	63,527	59,167	4,360	7.4
Total	145,309	144,300	1,009	0.7

Revenue

RE/MAX Holdings generated revenue of $81.2 million in the third quarter of 2023, a decrease of $7.7 million, or 8.7%, compared to $88.9 million in the third quarter of 2022. Revenue excluding the Marketing Funds was $60.4 million in the third quarter of 2023, a decrease of $5.8 million, or 8.8%, versus the same period in 2022. The decrease in Revenue excluding the Marketing Funds was attributable to negative organic revenue growth of 8.2% and adverse foreign-currency movements of 0.6%. Organic growth decreased primarily due to lower broker fee revenue and a reduction in U.S. agent count, partially offset by Mortgage segment growth.

Recurring revenue streams, which consist of continuing franchise fees and annual dues, decreased $1.9 million, or 4.6%, compared to the third quarter of 2022 and accounted for 66.7% of Revenue excluding the Marketing Funds in the third quarter of 2023 compared to 63.8% of Revenue excluding the Marketing Funds in the prior-year period.

Operating Expenses

Total operating expenses were $102.2 million for the third quarter of 2023, an increase of $18.5 million, or 22.1%, compared to $83.7 million in the third quarter of 2022. Third quarter 2023 total operating expenses increased primarily due to higher settlement and impairment charges, partially offset by the $24.9 million gain on reduction in tax receivable agreement liability; lower selling, operating and administrative expenses; and reduced Marketing Funds expenses. During the third quarter of 2023, the Company agreed to pay $55.0 million to settle various industry class-action lawsuits. As a result, the total settlement amount of $55.0 million was recorded in the third quarter.

Selling, operating and administrative expenses were $43.1 million in the third quarter of 2023, a decrease of $6.6 million, or 13.3%, compared to the third quarter of 2022 and represented 71.4% of Revenue excluding the Marketing Funds, compared to 75.1% in the prior-year period. Third quarter 2023 selling, operating and administrative expenses decreased primarily due to lower severance and reorganization charges, equity-compensation expense, and legal fees.

Net Income (Loss) and GAAP EPS

Net loss attributable to RE/MAX Holdings was $59.5 million for the third quarter of 2023 compared to net income of $0.1 million for the third quarter of 2022. Reported basic and diluted GAAP loss per share were each $3.28 for the third quarter of 2023 compared to basic and diluted GAAP earnings per share of $0.01 each in the third quarter of 2022.

Adjusted EBITDA and Adjusted EPS

Adjusted EBITDA was $26.7 million for the third quarter of 2023, a decrease of $4.7 million, or 15.0%, compared to the third quarter of 2022. Third quarter 2023 Adjusted EBITDA decreased primarily due to lower Revenue excluding the Marketing Funds resulting from lower broker fee revenue and a decrease in U.S. agent count, partially offset by lower legal fees. Adjusted EBITDA margin was 32.9% in the third quarter of 2023, compared to 35.4% in the third quarter of 2022.

Adjusted basic and diluted EPS were each $0.40 for the third quarter of 2023 compared to Adjusted basic and diluted EPS of $0.56 each for the third quarter of 2022. The ownership structure used to calculate Adjusted basic and diluted EPS for the quarter ended September 30, 2023, assumes RE/MAX Holdings owned 100% of RMCO, LLC ("RMCO"). The weighted average ownership RE/MAX Holdings had in RMCO was 59.1% for the quarter ended September 30, 2023.

Balance Sheet

As of September 30, 2023, the Company had cash and cash equivalents of $89.8 million, a decrease of $18.8 million from December 31, 2022. As of September 30, 2023, the Company had $445.5 million of outstanding debt, net of an unamortized debt discount and issuance costs, compared to $448.3 million as of December 31, 2022.

Capital Allocation

The Board of Directors decided to suspend the Company's quarterly dividend. In light of the recent litigation settlement and ongoing challenging housing and mortgage market conditions, the Board believes this action to preserve the Company's capital is prudent.

Steve Joyce commented, "Today's announced change in capital allocation was not entered into lightly. We strongly support returning capital to shareholders. However, given current circumstances and out of an abundance of caution, we believe this decision is optimal for shareholders as we determine how to best position the Company to take advantage of those opportunities that we believe will yield the best long-term returns."

As previously disclosed, in January 2022 the Company's Board of Directors authorized a common stock repurchase program of up to $100 million. During the three months ended September 30, 2023, the Company did not repurchase any shares. As of September 30, 2023, $62.5 million remained available under the share repurchase program.

Outlook

The Company's fourth quarter and full-year 2023 Outlook assumes no further currency movements, acquisitions, or divestitures.

For the fourth quarter of 2023, RE/MAX Holdings expects:

- Agent count to increase 0.25% to 1.25% over fourth quarter 2022;
- Revenue in a range of $74.0 million to $79.0 million (including revenue from the Marketing Funds in a range of $20.0 million to $22.0 million); and
- Adjusted EBITDA in a range of $20.5 million to $23.5 million.

For the full year 2023, the Company is slightly increasing its agent count guidance and narrowing its Revenue and Adjusted EBITDA guidance ranges and expects:

- Agent count to increase 0.25% to 1.25% over full year 2022, changed from 0.0% to 1.0%;
- Revenue in a range of $323.0 million to $328.0 million (including revenue from the Marketing Funds in a range of $83.0 million to $85.0 million), changed from $320.0 million to $332.0 million (including revenue from the Marketing Funds in a range of $82.5 million to $86.5 million); and
- Adjusted EBITDA in a range of $94.0 million to $97.0 million, changed from $92.0 million to $98.0 million.

Webcast and Conference Call

The Company will host a conference call for interested parties on Friday, November 3, 2023, beginning at 8:30 a.m. Eastern Time. Interested parties can register in advance for the conference call using the link below:

https://conferencingportals.com/event/SxfZxNDm

Interested parties also can access a live webcast through the Investor Relations section of the Company's website at http://investors.remaxholdings.com. Please dial-in or join the webcast 10 minutes before the start of the conference call. An archive of the webcast will be available on the Company's website for a limited time as well.

Basis of Presentation

Unless otherwise noted, the results presented in this press release are consolidated and exclude adjustments attributable to the non-controlling interest.

Footnotes:

[1]Revenue excluding the Marketing Funds is a non-GAAP measure of financial performance that differs from U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and a reconciliation to the most directly comparable U.S. GAAP measure is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue excluding the Marketing Funds:				
Total revenue	$ 81,223	$ 88,943	$ 249,071	$ 272,119
Less: Marketing Funds fees	20,853	22,736	63,272	68,496
Revenue excluding the Marketing Funds	$ 60,370	$ 66,207	$ 185,799	$ 203,623

[2]The Company defines organic revenue growth as revenue growth from continuing operations excluding (i) revenue from Marketing Funds, (ii) revenue from acquisitions, and (iii) the impact of foreign currency movements. The Company defines revenue from acquisitions as the revenue generated from the date of an acquisition to its first anniversary (excluding Marketing Funds revenue related to acquisitions where applicable).

[3]Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EPS are non-GAAP measures. These terms are defined at the end of this release. Please see Tables 5 and 6 appearing later in this release for reconciliations of these non-GAAP measures to the most directly comparable GAAP measures.

[4]Total open Motto Mortgage franchises includes only "bricks and mortar" offices with a unique physical address with rights granted by a full franchise agreement with Motto Franchising, LLC and excludes any "virtual" offices or Branchise℠ offices.

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About RE/MAX Holdings, Inc.

RE/MAX Holdings, Inc. (NYSE: RMAX) is one of the world's leading franchisors in the real estate industry, franchising real estate brokerages globally under the RE/MAX® brand, and mortgage brokerages within the U.S. under the Motto® Mortgage brand. RE/MAX was founded in 1973 by Dave and Gail Liniger, with an innovative, entrepreneurial culture affording its agents and franchisees the flexibility to operate their businesses with great independence. Now with more than 140,000 agents in over 9,000 offices and a presence in more than 110 countries and territories, nobody in the world sells more real estate than RE/MAX, as measured by total residential transaction sides. Dedicated to innovation and change in the real estate industry, RE/MAX launched Motto Franchising, LLC, a ground-breaking mortgage brokerage franchisor, in 2016. Motto Mortgage, the first-and-only national mortgage brokerage franchise brand in the U.S., has grown to over 225 offices across more than 40 states.

Forward-Looking Statements

This press release includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as “believe,” “intend,” “expect,” “estimate,” “plan,” “outlook,” “project,” “anticipate,” “may,” “will,” “would” and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to agent count; Motto open offices; franchise sales; revenue; operating expenses; the Company’s outlook for the fourth quarter and full year 2023; non-GAAP financial measures; housing and mortgage market conditions; growth; the Company’s focus on its strategic initiatives; our focus on pursuing growth opportunities and growing our mortgage business; and our belief that we will successfully navigate challenging times and grow significantly when industry conditions improve. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily accurately indicate the times at which such performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. These risks and uncertainties include, without limitation, (1) changes in the real estate market or interest rates and availability of financing, (2) changes in business and economic activity in general, (3) the Company’s ability to attract and retain quality franchisees, (4) the Company’s franchisees’ ability to recruit and retain real estate agents and mortgage loan originators, (5) changes in laws and regulations, (6) the Company’s ability to enhance, market, and protect its brands, including the RE/MAX and Motto Mortgage brands, (7) the Company’s ability to implement its technology initiatives, (8) risks related to the Company’s CEO transition, (9) fluctuations in foreign currency exchange rates, (10) the nature and amount of the exclusion of charges in future periods when determining Adjusted EBITDA is subject to uncertainty and may not be similar to such charges in prior periods, and (11) those risks and uncertainties described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (“SEC”) and similar disclosures in subsequent periodic and current reports filed with the SEC, which are available on the investor relations page of the Company’s website at www.remaxholdings.com and on the SEC website at www.sec.gov. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Except as required by law, the Company does not intend, and undertakes no obligation, to update this information to reflect future events or circumstances.

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TABLE 1

RE/MAX Holdings, Inc.
Consolidated Statements of Income (Loss)
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Continuing franchise fees	$ 31,834	$ 33,310	$ 96,011	$ 100,937
Annual dues	8,456	8,911	25,661	26,847
Broker fees	14,255	16,596	39,468	50,998
Marketing Funds fees	20,853	22,736	63,272	68,496
Franchise sales and other revenue	5,825	7,390	24,659	24,841
Total revenue	81,223	88,943	249,071	272,119
Operating expenses:				
Selling, operating and administrative expenses	43,090	49,702	132,417	138,314
Marketing Funds expenses	20,853	22,736	63,272	68,496
Depreciation and amortization	8,195	8,757	24,236	26,855
Settlement and impairment charges	55,000	2,513	55,000	8,708
Gain on reduction in tax receivable agreement liability	(24,917)	—	(24,917)	—
Total operating expenses	102,221	83,708	250,008	242,373
Operating income (loss)	(20,998)	5,235	(937)	29,746
Other expenses, net:				
Interest expense	(9,292)	(5,729)	(26,377)	(13,412)
Interest income	1,173	497	3,318	675
Foreign currency transaction gains (losses)	125	(360)	383	(340)
Total other expenses, net	(7,994)	(5,592)	(22,676)	(13,077)
Income (loss) before provision for income taxes	(28,992)	(357)	(23,613)	16,669
Provision for income taxes	(53,680)	(553)	(56,494)	(4,359)
Net income (loss)	$ (82,672)	$ (910)	$ (80,107)	$ 12,310
Less: net income (loss) attributable to non-controlling interest	(23,218)	(1,050)	(21,992)	4,890
Net income (loss) attributable to RE/MAX Holdings, Inc.	$ (59,454)	$ 140	$ (58,115)	$ 7,420
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock				
Basic	$ (3.28)	$ 0.01	$ (3.22)	$ 0.39
Diluted	$ (3.28)	$ 0.01	$ (3.22)	$ 0.39
Weighted average shares of Class A common stock outstanding				
Basic	18,150,557	18,646,306	18,064,009	18,859,376
Diluted	18,150,557	18,876,863	18,064,009	19,080,605
Cash dividends declared per share of Class A common stock	$ 0.23	$ 0.23	$ 0.69	$ 0.69

TABLE 2

RE/MAX Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 89,820	$ 108,663
Restricted cash	30,993	29,465
Accounts and notes receivable, current portion, net of allowances	33,892	32,518
Income taxes receivable	2,020	2,138
Other current assets	15,828	20,178
Total current assets	172,553	192,962
Property and equipment, net of accumulated depreciation	8,419	9,793
Operating lease right of use assets	24,229	25,825
Franchise agreements, net	105,653	120,174
Other intangible assets, net	20,506	25,763
Goodwill	258,814	258,626
Deferred tax assets, net	—	51,441
Income taxes receivable, net of current portion	754	754
Other assets, net of current portion	6,943	9,896
Total assets	$ 597,871	$ 695,234
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 8,252	$ 6,165
Accrued liabilities	104,421	70,751
Income taxes payable	483	1,658
Deferred revenue	24,107	27,784
Current portion of debt	4,600	4,600
Current portion of payable pursuant to tax receivable agreements	1,642	1,642
Operating lease liabilities	7,747	7,068
Total current liabilities	151,252	119,668
Debt, net of current portion	440,913	443,720
Payable pursuant to tax receivable agreements, net of current portion	—	24,917
Deferred tax liabilities, net	12,386	13,113
Deferred revenue, net of current portion	18,041	18,287
Operating lease liabilities, net of current portion	33,472	37,989
Other liabilities, net of current portion	5,082	5,838
Total liabilities	661,146	663,532
Commitments and contingencies		
Stockholders' equity (deficit):		
Class A common stock, par value $.0001 per share, 180,000,000 shares authorized; 18,213,497 and 17,874,238 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	2	2
Class B common stock, par value $.0001 per share, 1,000 shares authorized; 1 share issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	546,184	535,566
Accumulated deficit	(129,248)	(53,999)
Accumulated other comprehensive income (deficit), net of tax	(129)	(395)
Total stockholders' equity attributable to RE/MAX Holdings, Inc.	416,809	481,174
Non-controlling interest	(480,084)	(449,472)
Total stockholders' equity (deficit)	(63,275)	31,702
Total liabilities and stockholders' equity (deficit)	$ 597,871	$ 695,234

TABLE 3

RE/MAX Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income (loss)	$ (80,107)	$ 12,310
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	24,236	26,855
Equity-based compensation expense	14,050	18,006
Bad debt expense	4,903	1,256
Deferred income tax expense (benefit)	51,799	(41)
Fair value adjustments to contingent consideration	(379)	1,303
Settlement charge	55,000	—
Impairment charge - leased assets	—	6,248
Loss on sale or disposition of assets, net	386	1,314
Non-cash lease benefit	(2,242)	(1,539)
Non-cash loss on lease termination	—	1,175
Non-cash debt charges	644	644
Gain on reduction in tax receivable agreement liability	(24,917)	—
Other, net	(73)	70
Changes in operating assets and liabilities	(23,675)	(6,215)
Net cash provided by operating activities	19,625	61,386
Cash flows from investing activities:		
Purchases of property, equipment and capitalization of software	(4,249)	(7,950)
Other	679	(1,915)
Net cash used in investing activities	(3,570)	(9,865)
Cash flows from financing activities:		
Payments on debt	(3,450)	(3,450)
Distributions paid to non-controlling unitholders	(8,667)	(10,923)
Dividends and dividend equivalents paid to Class A common stockholders	(13,492)	(13,969)
Payments related to tax withholding for share-based compensation	(4,014)	(6,356)
Common shares repurchased	(3,408)	(23,795)
Payment of contingent consideration	(360)	(120)
Net cash used in financing activities	(33,391)	(58,613)
Effect of exchange rate changes on cash	21	(2,009)
Net decrease in cash, cash equivalents and restricted cash	(17,315)	(9,101)
Cash, cash equivalents and restricted cash, beginning of period	138,128	158,399
Cash, cash equivalents and restricted cash, end of period	$ 120,813	$ 149,298

TABLE 4

RE/MAX Holdings, Inc.
Agent Count
(Unaudited)

	As of								
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Agent Count:									
U.S.									
Company-Owned Regions	49,576	50,011	50,340	51,491	52,804	53,415	53,338	53,946	54,578
Independent Regions	6,918	6,976	7,110	7,228	7,311	7,410	7,379	7,381	7,429
U.S. Total	**56,494**	**56,987**	**57,450**	**58,719**	**60,115**	**60,825**	**60,717**	**61,327**	**62,007**
Canada									
Company-Owned Regions	20,389	20,354	20,172	20,228	20,174	20,098	19,751	19,596	19,207
Independent Regions	4,899	4,864	4,899	4,892	4,844	4,756	4,692	4,548	4,442
Canada Total	**25,288**	**25,218**	**25,071**	**25,120**	**25,018**	**24,854**	**24,443**	**24,144**	**23,649**
U.S. and Canada Total	**81,782**	**82,205**	**82,521**	**83,839**	**85,133**	**85,679**	**85,160**	**85,471**	**85,656**
Outside U.S. and Canada									
Independent Regions	63,527	62,305	61,002	60,175	59,167	58,260	57,245	56,527	55,280
Outside U.S. and Canada Total	**63,527**	**62,305**	**61,002**	**60,175**	**59,167**	**58,260**	**57,245**	**56,527**	**55,280**
Total	**145,309**	**144,510**	**143,523**	**144,014**	**144,300**	**143,939**	**142,405**	**141,998**	**140,936**

TABLE 5

RE/MAX Holdings, Inc.
Adjusted EBITDA Reconciliation to Net Income (Loss)
(In thousands, except percentages)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ (82,672)	$ (910)	$ (80,107)	$ 12,310
Depreciation and amortization	8,195	8,757	24,236	26,855
Interest expense	9,292	5,729	26,377	13,412
Interest income	(1,173)	(497)	(3,318)	(675)
Provision for income taxes	53,680	553	56,494	4,359
EBITDA	(12,678)	13,632	23,682	56,261
Settlement charge (1)	55,000	—	55,000	—
Impairment charge - leased assets (2)	—	2,513	—	6,248
Loss on lease termination (3)	—	—	—	2,460
Equity-based compensation expense	4,891	7,834	14,050	18,006
Acquisition-related expense (4)	59	412	160	1,997
Fair value adjustments to contingent consideration (5)	(280)	(692)	(379)	1,303
Restructuring charges (6)	4,278	8,092	4,245	8,092
Gain on reduction in tax receivable agreement liability (7)	(24,917)	—	(24,917)	—
Other	395	(308)	1,471	727
Adjusted EBITDA (8)	$ 26,748	$ 31,483	$ 73,312	$ 95,094
Adjusted EBITDA Margin (8)	32.9 %	35.4 %	29.4 %	34.9 %

(1) Represents the settlement of industry class-action lawsuits.
(2) Represents the impairment recognized on a portion of the Company’s corporate headquarters office building in the prior year.
(3) During the second quarter of 2022, a loss was recognized in connection with the termination of the booj office lease.
(4) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquired companies.
(5) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.
(6) During the third quarter of 2023, the Company announced a reduction in force and reorganization intended to streamline the Company’s operations and yield cost savings over the long term and during the third quarter of 2022, the Company incurred expenses related to a restructuring associated with a shift in its technology offerings strategy.
(7) Gain on reduction in tax receivable agreement liability is a result of a valuation allowance on deferred tax assets recorded during the third quarter of 2023.
(8) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

TABLE 6

RE/MAX Holdings, Inc.
Adjusted Net Income (Loss) and Adjusted Earnings per Share
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss)	$ (82,672)	$ (910)	$ (80,107)	$ 12,310
Amortization of acquired intangible assets	5,768	5,819	17,299	18,553
Provision for income taxes	53,680	553	56,494	4,359
Add-backs:				
Settlement charge (1)	55,000	—	55,000	—
Impairment charge - leased assets (2)	—	2,513	—	6,248
Loss on lease termination (3)	—	—	—	2,460
Equity-based compensation expense	4,891	7,834	14,050	18,006
Acquisition-related expense (4)	59	412	160	1,997
Fair value adjustments to contingent consideration (5)	(280)	(692)	(379)	1,303
Restructuring charges (6)	4,278	8,092	4,245	8,092
Gain on reduction in tax receivable agreement liability (7)	(24,917)	—	(24,917)	—
Other	395	(308)	1,471	727
Adjusted pre-tax net income	16,202	23,313	43,316	74,055
Less: Provision for income taxes at 25% (8)	(4,050)	(5,828)	(10,829)	(18,514)
Adjusted net income (9)	$ 12,152	$ 17,485	$ 32,487	$ 55,541
Total basic pro forma shares outstanding	30,710,157	31,205,906	30,623,609	31,418,976
Total diluted pro forma shares outstanding	30,710,157	31,436,463	30,623,609	31,640,205
Adjusted net income basic earnings per share (9)	$ 0.40	$ 0.56	$ 1.06	$ 1.77
Adjusted net income diluted earnings per share (9)	$ 0.40	$ 0.56	$ 1.06	$ 1.76

(1) Represents the settlement of industry class-action lawsuits.
(2) Represents the impairment recognized on a portion of the Company's corporate headquarters office building in the prior year.
(3) During the second quarter of 2022, a loss was recognized in connection with the termination of the booj office lease.
(4) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquired companies.
(5) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.
(6) During the third quarter of 2023, the Company announced a reduction in force and reorganization intended to streamline the Company's operations and yield cost savings over the long term and during the third quarter of 2022, the Company incurred expenses related to a restructuring associated with a shift in its technology offerings strategy.
(7) Gain on reduction in tax receivable agreement liability is a result of a valuation allowance on deferred tax assets recorded during the third quarter of 2023.
(8) The long-term tax rate assumes the exchange of all outstanding non-controlling interest partnership units for Class A Common Stock that (a) removes the impact of unusual, non-recurring tax matters and (b) does not estimate the residual impacts to foreign taxes of additional step-ups in tax basis from an exchange because that is dependent on stock prices at the time of such exchange and the calculation is impracticable.
(9) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

TABLE 7

RE/MAX Holdings, Inc.
Pro Forma Shares Outstanding
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Total basic weighted average shares outstanding:				
Weighted average shares of Class A common stock outstanding	18,150,557	18,646,306	18,064,009	18,859,376
Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO	12,559,600	12,559,600	12,559,600	12,559,600
Total basic pro forma weighted average shares outstanding	30,710,157	31,205,906	30,623,609	31,418,976
Total diluted weighted average shares outstanding:				
Weighted average shares of Class A common stock outstanding	18,150,557	18,646,306	18,064,009	18,859,376
Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO	12,559,600	12,559,600	12,559,600	12,559,600
Dilutive effect of unvested restricted stock units (1)	—	230,557	—	221,229
Total diluted pro forma weighted average shares outstanding	30,710,157	31,436,463	30,623,609	31,640,205

(1) In accordance with the treasury stock method.

TABLE 8

RE/MAX Holdings, Inc.
Adjusted Free Cash Flow & Unencumbered Cash
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flow from operations	$ 19,625	$ 61,386
Less: Purchases of property, equipment and capitalization of software	(4,249)	(7,950)
(Increases) decreases in restricted cash of the Marketing Funds (1)	12,222	730
Adjusted free cash flow (2)	27,598	54,166
Adjusted free cash flow (2)	27,598	54,166
Less: Tax/Other non-dividend distributions to RIHI	—	(2,256)
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	27,598	51,910
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	27,598	51,910
Less: Debt principal payments	(3,450)	(3,450)
Unencumbered cash generated (2)	$ 24,148	$ 48,460
Summary		
Cash flow from operations	$ 19,625	$ 61,386
Adjusted free cash flow (2)	$ 27,598	$ 54,166
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	$ 27,598	$ 51,910
Unencumbered cash generated (2)	$ 24,148	$ 48,460
Adjusted EBITDA (2)	$ 73,312	$ 95,094
Adjusted free cash flow as % of Adjusted EBITDA (2)	37.6%	57.0%
Adjusted free cash flow less distributions to RIHI as % of Adjusted EBITDA (2)	37.6%	54.6%
Unencumbered cash generated as % of Adjusted EBITDA (2)	32.9%	51.0%

(1) This line reflects any subsequent changes in the restricted cash balance (which under GAAP reflects as either (a) an increase or decrease in cash flow from operations or (b) an incremental amount of purchases of property and equipment and capitalization of developed software) so as to remove the impact of changes in restricted cash in determining adjusted free cash flow.

(2) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

Non-GAAP Financial Measures

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of financial measures that are not in accordance with U.S. GAAP, such as revenue excluding the Marketing Funds, Adjusted EBITDA and the ratios related thereto, Adjusted net income, Adjusted basic and diluted earnings per share (Adjusted EPS) and adjusted free cash flow. These measures are derived on the basis of methodologies other than in accordance with U.S. GAAP.

Revenue excluding the Marketing Funds is calculated directly from our consolidated financial statements as Total revenue less Marketing Funds fees.

The Company defines Adjusted EBITDA as EBITDA (consolidated net income before depreciation and amortization, interest expense, interest income and the provision for income taxes, each of which is presented in the unaudited consolidated financial statements included earlier in this press release), adjusted for the impact of the following items that are either non-cash or that the Company does not consider representative of its ongoing operating performance: loss or gain on sale or disposition of assets and sublease, settlement and impairment charges, equity-based compensation expense, acquisition-related expense, gain on reduction in tax receivable agreement liability, expense or income related to changes in the estimated fair value measurement of contingent consideration, restructuring charges and other non-recurring items.

Because Adjusted EBITDA and Adjusted EBITDA margin omit certain non-cash items and other non-recurring cash charges or other items, the Company believes that each measure is less susceptible to variances that affect its operating performance resulting from depreciation, amortization and other non-cash and non-recurring cash charges or other items. The Company presents Adjusted EBITDA and the related Adjusted EBITDA margin because the Company believes they are useful as supplemental measures in evaluating the performance of its operating businesses and provides greater transparency into the Company's results of operations. The Company's management uses Adjusted EBITDA and Adjusted EBITDA margin as factors in evaluating the performance of the business.

Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider these measures in isolation or as a substitute for analyzing the Company's results as reported under U.S. GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirements for, the Company's working capital needs;
- these measures do not reflect the Company's interest expense, or the cash requirements necessary to service interest or principal payments on its debt;
- these measures do not reflect the Company's income tax expense or the cash requirements to pay its taxes;
- these measures do not reflect the cash requirements to pay dividends to stockholders of the Company's Class A common stock and tax and other cash distributions to its non-controlling unitholders;

- these measures do not reflect the cash requirements pursuant to the tax receivable agreements;
- these measures do not reflect the cash requirements for share repurchases;
- these measures do not reflect the cash requirements for the settlement of industry class-action lawsuits;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements;
- although equity-based compensation is a non-cash charge, the issuance of equity-based awards may have a dilutive impact on earnings per share; and
- other companies may calculate these measures differently so similarly named measures may not be comparable.

The Company's Adjusted EBITDA guidance does not include certain charges and costs. The adjustments to EBITDA in future periods are generally expected to be similar to the kinds of charges and costs excluded from Adjusted EBITDA in prior quarters, such as gain or loss on sale or disposition of assets and sublease, settlement and impairment charges, equity-based compensation expense, acquisition-related expense, gains or losses from changes in the tax receivable agreement liability, expense or income related to changes in the fair value measurement of contingent consideration, restructuring charges and other non-recurring items. The exclusion of these charges and costs in future periods will have a significant impact on the Company's Adjusted EBITDA. The Company is not able to provide a reconciliation of the Company's non-GAAP financial guidance to the corresponding U.S. GAAP measures without unreasonable effort because of the uncertainty and variability of the nature and amount of these future charges and costs.

Adjusted net income is calculated as Net income attributable to RE/MAX Holdings, assuming the full exchange of all outstanding non-controlling interests for shares of Class A common stock as of the beginning of the period (and the related increase to the provision for income taxes after such exchange), plus primarily non-cash items and other items that management does not consider to be useful in assessing the Company’s operating performance (e.g., amortization of acquired intangible assets, gain on sale or disposition of assets and sub-lease, non-cash impairment charges, acquisition-related expense, restructuring charges and equity-based compensation expense).

Adjusted basic and diluted earnings per share (Adjusted EPS) are calculated as Adjusted net income (as defined above) divided by pro forma (assuming the full exchange of all outstanding non-controlling interests) basic and diluted weighted average shares, as applicable.

When used in conjunction with GAAP financial measures, Adjusted net income and Adjusted EPS are supplemental measures of operating performance that management believes are useful measures to evaluate the Company’s performance relative to the performance of its competitors as well as performance period over period. By assuming the full exchange of all outstanding non-controlling interests, management believes these measures:

- facilitate comparisons with other companies that do not have a low effective tax rate driven by a non-controlling interest on a pass-through entity;

- facilitate period over period comparisons because they eliminate the effect of changes in Net income attributable to RE/MAX Holdings, Inc. driven by increases in its ownership of RMCO, LLC, which are unrelated to the Company's operating performance; and

- eliminate primarily non-cash and other items that management does not consider to be useful in assessing the Company's operating performance.

Adjusted free cash flow is calculated as cash flows from operations less capital expenditures and any changes in restricted cash of the Marketing Funds, all as reported under GAAP, and quantifies how much cash a company has to pursue opportunities that enhance shareholder value. The restricted cash of the Marketing Funds is limited in use for the benefit of franchisees and any impact to adjusted free cash flow is removed. The Company believes adjusted free cash flow is useful to investors as a supplemental measure as it calculates the cash flow available for working capital needs, re-investment opportunities, potential Independent Region and strategic acquisitions, dividend payments or other strategic uses of cash.

Adjusted free cash flow after tax and non-dividend distributions to RIHI is calculated as adjusted free cash flow less tax and other non-dividend distributions paid to RIHI (the non-controlling interest holder) to enable RIHI to satisfy its income tax obligations. Similar payments would be made by the Company directly to federal and state taxing authorities as a component of the Company's consolidated provision for income taxes if a full exchange of non-controlling interests occurred in the future. As a result and given the significance of the Company's ongoing tax and non-dividend distribution obligations to its non-controlling interest, adjusted free cash flow after tax and non-dividend distributions, when used in conjunction with GAAP financial measures, provides a meaningful view of cash flow available to the Company to pursue opportunities that enhance shareholder value.

Unencumbered cash generated is calculated as adjusted free cash flow after tax and non-dividend distributions to RIHI less quarterly debt principal payments less annual excess cash flow payment on debt, as applicable. Given the significance of the Company's excess cash flow payment on debt, when applicable, unencumbered cash generated, when used in conjunction with GAAP financial measures, provides a meaningful view of the cash flow available to the Company to pursue opportunities that enhance shareholder value after considering its debt service obligations.