

# COMPASS

## Compass Reports Second Quarter 2021 Results

*Revenue increased 186% year-over-year to \$1.95 billion*

*GAAP Net loss of \$7 million*

*Operations were profitable on a non-GAAP basis with Adjusted EBITDA of \$71 million*

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**New York, NY - August 9, 2021** - Compass, Inc. (NYSE: COMP) today announced its consolidated financial and operational results for the three months ended June 30, 2021. The company posted a record quarter, nearly doubled its market share year-over-year, and now expects to achieve Adjusted EBITDA profitability in full-year 2022, a year sooner than previously expected.

Complete results can be found in the company's 2Q21 Shareholder Letter on the Investor Relations section of Compass' website at <https://investors.compass.com>.

"This past quarter Compass agents strongly outperformed their peers in one of the most competitive real estate markets in recent memory, delivering nearly \$2 billion of revenue and \$71 million of Adjusted EBITDA as the Compass platform continued to drive growth in agent productivity," said Robert Reffkin, Founder, Chairman, and CEO of Compass, Inc. "Compass has nearly doubled its share of the national residential real estate market over the past year, and this record quarter validates our vision that agents, when powered by the Compass technology platform, are significantly more successful."

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### 2Q21 Financial Highlights:

- **Revenue** increased by 186% year-over-year to a record \$1.95 billion, as our agents nearly doubled Compass' market share from 3.3% to 6.2% over the last year.
- **GAAP Net Loss** was \$(7) million, compared to \$(84) million in 2Q20.
  - GAAP Net Loss margin was (0.4%), compared to (12.3%) in 2Q20.
  - Over the past four quarters, GAAP Net Loss totaled \$(273) million, which included a one-time non-cash stock-based compensation charge of \$149 million related to our IPO.
- **Adjusted EBITDA**<sup>1</sup> was a record \$71 million, compared to \$(56) million in 2Q20.
  - Adjusted EBITDA margin was 3.7% in 2Q21, compared to (8.3%) in 2Q20, an improvement of 12 percentage points.
  - Over the past four quarters, Adjusted EBITDA totaled \$44 million, demonstrating Compass' ability to achieve Adjusted EBITDA profitability as the business gains scale and we continue to improve our operational efficiency.

### 2Q21 Operational Highlights:

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<sup>1</sup> A reconciliation of GAAP to Non-GAAP measures can be found within the financial statement tables included within this press release.

- **Agents:** Average Number of Principal Agents was 10,629, an increase of 817 from 1Q21 and 2,095 from 2Q20. The increase in average principal agents was 25% compared to 8,534 principal agents in 2Q20.
- **Transactions:** Compass agents closed a record 65,743 Total Transactions, up 140% year-over-year, significantly faster than the 32% transaction growth for the residential real estate market<sup>2</sup>. Each of our Principal Agents generated on average 6.2 transactions on our platform in the quarter, an increase of 93% year-over-year.
- **Gross Transaction Value (“GTV”)<sup>3</sup>:** GTV of \$77.0 billion increased by 186% year-over-year. This was a quarterly record for Compass, reflecting strong transaction volume, higher average transaction values, and higher productivity per average principal agent. GTV per average principal agent was \$7.2 million, up 130% year-over-year.
- **Markets:** In 2Q21, Compass entered 15 new markets, bringing the total markets served to 62 at the end of the quarter. Compass’ national market share was 6.2%<sup>4</sup> in 2Q21, up from 3.3% in 2Q20 and 5.2% in 1Q21.

### 2Q21 Platform Highlights:

- Compass provides an end-to-end technology platform that empowers agents to deliver exceptional outcomes to their clients. It makes our agents more productive, allowing them to drive increased transaction volume by using technology to accelerate, automate, and simplify many of the routine tasks an agent performs on a daily basis.
- Total sessions on the platform grew by 104% year-over-year.
  - 85% of our agent teams used our proprietary technology platform weekly, up from 81% in the prior year period.
  - Ratio of daily active users to weekly active users (“DAU/WAU”) was 74%, up from 69% in the prior year period.<sup>5</sup>
- On July 13, 2021, Compass and Guaranteed Rate, a top retail mortgage company, announced the formation of a joint venture, OriginPoint, a new mortgage origination company. We believe the combined expertise of our agents, the integration into the Compass platform, and the experience of Guaranteed Rate could drive mortgage attach rates on eligible transactions to, or even above, industry averages in 3 to 5 years with profitability for the JV on an Adjusted EBITDA basis expected in FY2022.

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<sup>2</sup> We calculate Total Transactions by taking the sum of all transactions closed on the Compass platform in which our agent represented the buyer or seller in the purchase or sale of a home (excluding rental transactions). We include a single transaction twice when one or more Compass agents represent both the buyer and seller in any given transaction. 32% figure based on NAR data as of June 2021.

<sup>3</sup> Gross Transaction Value is the sum of all closing sale prices for homes transacted by agents on the Compass platform (excluding rental transactions). We include the value of a single transaction twice when our agents serve both the home buyer and home seller in the transaction.

<sup>4</sup> We calculate our market share by dividing our Gross Transaction Value, or the total dollar value of transactions closed by agents on our platform, by two times (to account for the sell-side and buy-side of each transaction) the aggregate dollar value of U.S. existing home sales as reported by NAR.

<sup>5</sup> We have refined the methodology that we used to calculate DAU/WAU; using this revised methodology DAU/WAU in Q1 2021 was 74%, up 7 percentage points from the prior year period.

- In Title and Escrow, Compass now serves portions of California, Florida, Washington State, Maryland, Virginia and Washington D.C. We are in the early phases of rolling out T&E services in markets that comprise roughly 30% of our total transactions. We expect to similarly cover markets that comprise roughly half of our total transactions by the end of 2021.

**Guidance for 3Q21 and FY2021:**

- 3Q21 Revenue of \$1.65 billion to \$1.75 billion.
- 3Q21 Adjusted EBITDA of \$(20) million to \$0 million.
- FY2021 Revenue of \$6.15 billion to \$6.35 billion, compared to prior guidance of \$5.35 billion to \$5.55 billion.
- FY2021 Adjusted EBITDA of \$(85) million to \$(45) million, compared to prior guidance of \$(245) million to \$(225) million.
- Year-to date results, in conjunction with our revised guidance, demonstrate our confidence in achieving Adjusted EBITDA profitability in 2022.

We have not reconciled our guidance for Adjusted EBITDA to GAAP Net Loss because stock-based compensation expense cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

**Conference Call Information**

Management will conduct a conference call to discuss the second quarter results and outlook for 2021 at 4:30 PM ET on August 9, 2021. The conference call will be accessible via the Internet on the Compass Investor Relations website <https://investors.compass.com>. You can also access the audio webcast via the following link: [Compass Inc. 2Q21 Earnings Conference Call](#).

An audio recording of the conference call will be available for replay shortly after the call's completion. To access the replay, visit the Events and Presentations section on the Compass Investor Relations website at <https://investors.compass.com>.

**Safe Harbor Statement**

This press release includes forward-looking statements, which are statements other than statements of historical facts, and statements in the future tense. These statements include, but are not limited to, statements regarding the future performance of Compass and its market opportunity, including expected financial results for the third quarter and full year of 2021, expectations regarding the impact of the COVID-19 pandemic on our business and industry, expectations regarding our mortgage business and our joint venture with Guaranteed Rate, and expectations for our future investment in our business. Accordingly, actual results could differ materially or such uncertainties could cause adverse effects on our results. Forward-looking statements are based upon various estimates and assumptions, as well as information known to Compass as of the date of this press release, and are subject to risks and uncertainties, including but not limited to: general economic conditions, the health of the U.S. real estate

industry, and risks generally incident to the ownership of residential real estate, including seasonal and cyclical trends; our ability to achieve expected benefits from our mortgage business and our joint venture with Guaranteed Rate; our ability to attract new agents and retain current agents or increase agents' utilization of our platform; our rapid growth and rate of growth; our net losses and ability to achieve or sustain profitability in the future; our ability to innovate and continuously improve and expand our platform; the impact of the COVID-19 pandemic on our business; our ability to compete successful in the markets in which we operate; the effect of monetary policies of the federal government and its agencies; any decreases in our gross commission income or the percentage of commissions that we collect; our ability to expand our business and offer additional adjacent services, including with respect to any joint ventures; fluctuation of our quarterly results and other operating metrics; our ability to successfully complete acquisitions and integrate target companies; the effect of the claims, lawsuits, government investigations and other proceedings that we are subject to from time to time; our ability to protect our intellectual property rights; and other general market, political, economic, and business conditions. Actual results could differ materially from those predicted or implied, and reported results should not be considered as an indication of future performance. Additionally, these forward-looking statements, particularly our guidance, involve risks, uncertainties and assumptions, including those related to the impacts of COVID-19 on our clients' spending decisions. Significant variation from the assumptions underlying our forward-looking statements could cause our actual results to vary, and the impact could be significant.

Additional risks and uncertainties that could affect our financial results are included under the caption "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 filed with the SEC on May 13, 2021, which is available on the Investor Relations page of our website at <https://investors.compass.com/> and on the SEC website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 when filed. All forward-looking statements contained herein are based on information available to us as of the date hereof, and we do not assume any obligation to update these statements as a result of new information or future events.

Undue reliance should not be placed on the forward-looking statements in this press release. These statements are based on information available to Compass on the date hereof, and Compass assumes no obligation to update such statements.

### **Non-GAAP Financial Measures**

To supplement our condensed consolidated financial statements, which are prepared in accordance with GAAP, we present Adjusted EBITDA and Adjusted EBITDA margin, which are non-GAAP financial measures, in this press release. Our use of non-GAAP financial measures has limitations as an analytical tool, and these measures should not be considered in isolation or as a substitute for analysis of financial results as reported under GAAP.

Compass uses Adjusted EBITDA and Adjusted EBITDA margin in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

We believe Adjusted EBITDA and Adjusted EBITDA margin are also helpful to investors, analysts and other interested parties because they can assist in providing a more consistent and comparable overview of our operations across our historical financial periods. Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, therefore you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Because of these limitations, you should consider Adjusted EBITDA and Adjusted EBITDA margin alongside other financial performance measures, including net loss and our other GAAP results. In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments reflected in this press release. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by the types of items excluded from the calculation of Adjusted EBITDA and Adjusted EBITDA margin. Adjusted EBITDA and Adjusted EBITDA margin are not presented in accordance with GAAP and the use of these terms varies from others in our industry.

Reconciliations of these non-GAAP measures have been provided in the financial statement tables included in this press release and investors are encouraged to review these reconciliations.

### **About Compass**

Founded in 2012, Compass is a leading real estate technology company, providing an end-to-end platform that empowers its residential real estate agents to deliver exceptional service to seller and buyer clients. The platform includes an integrated suite of cloud-based software for customer relationship management, marketing, client service, brokerage services and other critical functionality, all custom-built for the real estate industry. Compass agents utilize the platform to grow their business, save time and manage their business more effectively. For more information on how Compass empowers real estate agents, one of the largest groups of small business owners in the country, please visit [www.compass.com](http://www.compass.com).

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## Financial Tables

**Compass, Inc.**  
**Condensed Consolidated Balance Sheets**  
*(In millions, unaudited)*

	June 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 810.7	\$ 440.1
Accounts receivable, net of allowance	66.6	54.8
Compass Concierge receivables, net of allowance	48.1	49.5
Other current assets	73.2	54.9
Total current assets	998.6	599.3
Property and equipment, net	146.4	141.7
Operating lease right-of-use assets	438.3	426.6
Intangible assets, net	107.4	45.6
Goodwill	177.4	119.8
Other non-current assets	43.5	32.1
Total assets	\$ 1,911.6	\$ 1,365.1
<b>Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 31.8	\$ 36.6
Commissions payable	91.7	62.0
Accrued expenses and other current liabilities	140.2	106.8
Current lease liabilities	76.6	68.1
Concierge credit facility	11.1	8.4
Total current liabilities	351.4	281.9
Non-current lease liabilities	441.0	435.9
Other non-current liabilities	43.7	23.5
Total liabilities	836.1	741.3
Convertible preferred stock	-	1,486.7
Stockholders' Equity (Deficit)		
Common stock	-	-
Additional paid-in capital	2,395.9	238.0
Accumulated deficit	(1,320.4)	(1,100.9)
Total stockholders' equity (deficit)	1,075.5	(862.9)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	\$ 1,911.6	\$ 1,365.1

Financial Tables

**Compass, Inc.**  
**Condensed Consolidated Statements of Operations**  
*(In millions, except share and per share data, unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 1,951.4	\$ 682.1	\$ 3,065.3	\$ 1,302.0
Operating expenses:				
Commissions and other related expense <sup>(1)</sup>	1,590.4	559.0	2,532.6	1,067.8
Sales and marketing <sup>(1)</sup>	124.3	90.8	235.6	197.3
Operations and support <sup>(1)</sup>	96.7	44.5	166.7	105.6
Research and development <sup>(1)</sup>	73.5	34.2	170.1	73.0
General and administrative <sup>(1)</sup>	59.4	26.5	152.3	53.0
Depreciation and amortization	14.9	12.7	28.4	25.1
Total operating expenses	<u>1,959.2</u>	<u>767.7</u>	<u>3,285.7</u>	<u>1,521.8</u>
Loss from operations	(7.8)	(85.6)	(220.4)	(219.8)
Investment income, net	-	0.5	-	2.0
Interest expense	(0.6)	-	(1.1)	-
Loss before income taxes	(8.4)	(85.1)	(221.5)	(217.8)
Benefit from income taxes	1.3	0.9	2.0	0.9
Net loss	<u>\$ (7.1)</u>	<u>\$ (84.2)</u>	<u>\$ (219.5)</u>	<u>\$ (216.9)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.77)</u>	<u>\$ (0.87)</u>	<u>\$ (1.99)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>377,615,338</u>	<u>109,120,449</u>	<u>252,958,956</u>	<u>108,942,655</u>

(1) Total stock-based compensation expense included in the condensed consolidated statements of operations is as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Commissions and other related expense	\$ 11.7	\$ 0.5	\$ 56.3	\$ 4.6
Sales and marketing	8.6	2.5	17.6	5.4
Operations and support	2.8	0.7	7.8	1.5
Research and development	13.5	0.3	63.0	0.8
General and administrative	17.7	9.0	77.1	11.8
Total stock-based compensation expense	<u>\$ 54.3</u>	<u>\$ 13.0</u>	<u>\$ 221.8</u>	<u>\$ 24.1</u>

Stock-based compensation expense for the six months ended June 30, 2021 includes the following amounts related to a one-time acceleration of stock-based compensation expense in connection with the IPO (in millions):

	IPO Related Expense
Commissions and other related expense	\$ 41.7
Sales and marketing	1.8
Operations and support	3.1
Research and development	46.9
General and administrative	55.0
Total stock-based compensation expense	<u>\$ 148.5</u>

## Financial Tables

**Compass, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(In millions, unaudited)*

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Net loss	\$ (219.5)	\$ (216.9)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	28.4	25.1
Stock-based compensation	221.8	24.1
Change in acquisition related contingent consideration	(0.5)	1.9
Bad debt expense	6.2	9.6
Amortization of debt issuance costs	0.6	-
Changes in operating assets and liabilities:		
Accounts receivable	(10.4)	(30.9)
Compass Concierge receivables	(3.3)	(28.0)
Other current assets	(18.2)	6.2
Other non-current assets	(10.8)	(3.1)
Operating lease right-of-use assets and operating lease liabilities	2.0	23.1
Accounts payable	(5.6)	(11.8)
Commissions payable	27.8	31.1
Accrued expenses and other liabilities	25.6	9.7
Net cash provided by (used in) operating activities	<u>44.1</u>	<u>(159.9)</u>
<b>Investing Activities</b>		
Proceeds from sales and maturities of marketable securities	-	44.4
Capital expenditures	(20.1)	(19.2)
Payments for acquisitions, net of cash acquired	(103.8)	(0.8)
Net cash (used in) provided by investing activities	<u>(123.9)</u>	<u>24.4</u>
<b>Financing Activities</b>		
Proceeds from issuance of convertible preferred stock, net of issuance costs	-	1.0
Proceeds from exercise and early exercise of stock options	16.2	3.4
Proceeds from drawdowns on Concierge credit facility	15.5	-
Repayments of drawdowns on Concierge credit facility	(12.8)	-
Payments of contingent consideration related to acquisitions	(6.7)	(1.4)
Payments of debt issuance costs for the Revolving Credit and Guaranty Agreement	(1.4)	-
Proceeds from issuance of common stock upon initial public offering, net of offering costs	439.6	-
Net cash provided by financing activities	<u>450.4</u>	<u>3.0</u>
Net increase (decrease) in cash and cash equivalents	370.6	(132.5)
Cash and cash equivalents at beginning of period	440.1	491.7
Cash and cash equivalents at end of period	<u>\$ 810.7</u>	<u>\$ 359.2</u>

Financial Tables

**Compass, Inc.**  
**Net Loss to Adjusted EBITDA Reconciliation**  
*(In millions, unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (7.1)	\$ (84.2)	\$ (219.5)	\$ (216.9)
Adjusted to exclude the following:				
Depreciation and amortization	14.9	12.7	28.4	25.1
Investment income, net	-	(0.5)	-	(2.0)
Interest expense	0.6	-	1.1	-
Stock-based compensation	54.3	13.0	221.8	24.1
Benefit from income taxes	(1.3)	(0.9)	(2.0)	(0.9)
Restructuring charges <sup>(1)</sup>	-	2.4	-	9.0
Acquisition-related expenses <sup>(2)</sup>	9.9	1.1	10.9	3.1
Adjusted EBITDA	<u>\$ 71.3</u>	<u>\$ (56.4)</u>	<u>\$ 40.7</u>	<u>\$ (158.5)</u>

(1) For the three and six months ended June 30, 2020, restructuring charges included \$0.6 million and \$6.0 million, respectively, in severance expense and \$1.8 million and \$3.0 million, respectively, in lease termination costs. The Company did not recognize any restructuring charges during the three and six months ended June 30, 2021.

(2) For the three months ended June 30, 2021 and 2020, acquisition-related expenses includes \$2.7 million and \$1.2 million in losses, respectively, as a result of changes in the fair value of contingent consideration and \$7.2 million in expense and a \$(0.1) million gain, respectively, related to acquisition consideration treated as compensation expense over the underlying retention periods. For the six months ended June 30, 2021 and 2020, acquisition-related expenses includes a \$(0.5) million gain and a \$1.9 million loss, respectively, as a result of changes in the fair value of contingent consideration and \$11.4 million and \$1.2 million in expenses, respectively, related to acquisition consideration treated as compensation expense over the underlying retention periods.

## Financial Tables

**Compass, Inc.**  
**Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses**  
*(In millions, unaudited)*

<b>Three Months Ended June 30, 2021</b>					
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	\$ 1,590.4	\$ 124.3	\$ 96.7	\$ 73.5	\$ 59.4
Adjusted to exclude the following:					
Stock-based compensation	(11.7)	(8.6)	(2.8)	(13.5)	(17.7)
Acquisition-related expenses	-	-	(9.9)	-	-
Non-GAAP Basis	<u>\$ 1,578.7</u>	<u>\$ 115.7</u>	<u>\$ 84.0</u>	<u>\$ 60.0</u>	<u>\$ 41.7</u>
<b>Three Months Ended June 30, 2020</b>					
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	\$ 559.0	\$ 90.8	\$ 44.5	\$ 34.2	\$ 26.5
Adjusted to exclude the following:					
Stock-based compensation	(0.5)	(2.5)	(0.7)	(0.3)	(9.0)
Restructuring charges	-	(1.8)	(0.1)	-	(0.5)
Acquisition-related expenses	-	-	(1.1)	-	-
Non-GAAP Basis	<u>\$ 558.5</u>	<u>\$ 86.5</u>	<u>\$ 42.6</u>	<u>\$ 33.9</u>	<u>\$ 17.0</u>
<b>Six Months Ended June 30, 2021</b>					
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	\$ 2,532.6	\$ 235.6	\$ 166.7	\$ 170.1	\$ 152.3
Adjusted to exclude the following:					
Stock-based compensation	(56.3)	(17.6)	(7.8)	(63.0)	(77.1)
Acquisition-related expenses	-	-	(10.9)	-	-
Non-GAAP Basis	<u>\$ 2,476.3</u>	<u>\$ 218.0</u>	<u>\$ 148.0</u>	<u>\$ 107.1</u>	<u>\$ 75.2</u>
<b>Six Months Ended June 30, 2020</b>					
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	\$ 1,067.8	\$ 197.3	\$ 105.6	\$ 73.0	\$ 53.0
Adjusted to exclude the following:					
Stock-based compensation	(4.6)	(5.4)	(1.5)	(0.8)	(11.8)
Restructuring charges	-	(4.5)	(2.9)	(0.7)	(0.9)
Acquisition-related expenses	-	-	(3.1)	-	-
Non-GAAP Basis	<u>\$ 1,063.2</u>	<u>\$ 187.4</u>	<u>\$ 98.1</u>	<u>\$ 71.5</u>	<u>\$ 40.3</u>