

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2021.

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission file number: 001-36101



RE/MAX Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

5075 South Syracuse Street
Denver, Colorado
(Address of principal executive offices)

80-0937145
(I.R.S. Employer
Identification Number)

80237
(Zip Code)

(303) 770-5531

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	RMAX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On October 31, 2021, there were 18,891,871 outstanding shares of the registrant's Class A common stock (including unvested restricted stock), \$0.0001 par value per share, and 1 outstanding share of Class B common stock, \$0.0001 par value per share.

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PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

RE/MAX HOLDINGS, INC. Condensed Consolidated Balance Sheets (In thousands, except share and per share amounts) (Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 119,446	\$ 101,355
Restricted cash	25,150	19,872
Accounts and notes receivable, current portion, less allowances of \$10,581 and \$11,724, respectively	35,295	29,985
Income taxes receivable	2,459	1,222
Other current assets	19,248	13,938
Total current assets	201,598	166,372
Property and equipment, net of accumulated depreciation of \$16,017 and \$14,731, respectively	12,455	7,872
Operating lease right of use assets	36,555	38,878
Franchise agreements, net	153,666	69,802
Other intangible assets, net	33,719	29,969
Goodwill	268,390	165,358
Deferred tax assets, net	52,714	50,702
Income taxes receivable, net of current portion	1,980	1,980
Other assets, net of current portion	18,102	15,435
Total assets	\$ 779,179	\$ 546,368
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,895	\$ 2,108
Accrued liabilities	91,193	68,571
Income taxes payable	5,581	9,579
Deferred revenue	25,196	25,282
Current portion of debt	4,600	2,428
Current portion of payable pursuant to tax receivable agreements	3,590	3,590
Operating lease liabilities	6,045	5,687
Total current liabilities	141,100	117,245
Debt, net of current portion	448,390	221,137
Payable pursuant to tax receivable agreements, net of current portion	29,974	29,974
Deferred tax liabilities, net	20,619	490
Deferred revenue, net of current portion	18,356	19,864
Operating lease liabilities, net of current portion	46,614	50,279
Other liabilities, net of current portion	7,945	5,722
Total liabilities	712,998	444,711
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value \$.0001 per share, 180,000,000 shares authorized; 18,806,194 and 18,390,691 shares issued and outstanding as of September 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	510,424	491,422
Retained earnings (accumulated deficit)	(6,585)	25,628
Accumulated other comprehensive income, net of tax	639	612
Total stockholders' equity attributable to RE/MAX Holdings, Inc.	504,480	517,664
Non-controlling interest	(438,299)	(416,007)
Total stockholders' equity	66,181	101,657
Total liabilities and stockholders' equity	\$ 779,179	\$ 546,368

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Continuing franchise fees	\$ 32,464	\$ 24,339	\$ 84,793	\$ 65,220
Annual dues	8,967	8,638	26,508	26,304
Broker fees	19,245	15,457	48,651	35,327
Marketing Funds fees	23,269	17,290	59,456	46,577
Franchise sales and other revenue	7,052	5,349	21,130	20,124
Total revenue	90,997	71,073	240,538	193,552
Operating expenses:				
Selling, operating and administrative expenses	51,099	28,216	133,591	88,241
Marketing Funds expenses	23,269	17,290	59,456	46,577
Depreciation and amortization	8,582	6,730	22,236	19,154
Settlement and impairment charges	45,623	7,902	45,623	7,902
Total operating expenses	128,573	60,138	260,906	161,874
Operating income (loss)	(37,576)	10,935	(20,368)	31,678
Other expenses, net:				
Interest expense	(3,315)	(2,159)	(7,537)	(7,028)
Interest income	19	25	201	328
Foreign currency transaction gains (losses)	(435)	94	(818)	(75)
Loss on early extinguishment of debt	(264)	—	(264)	—
Total other expenses, net	(3,995)	(2,040)	(8,418)	(6,775)
Income (loss) before provision for income taxes	(41,571)	8,895	(28,786)	24,903
Provision for income taxes	(792)	(2,057)	(1,454)	(6,584)
Net income (loss)	\$ (42,363)	\$ 6,838	\$ (30,240)	\$ 18,319
Less: net income (loss) attributable to non-controlling interest	(17,214)	3,221	(11,515)	8,436
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ (25,149)	\$ 3,617	\$ (18,725)	\$ 9,883
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock				
Basic	\$ (1.34)	\$ 0.20	\$ (1.00)	\$ 0.55
Diluted	\$ (1.34)	\$ 0.20	\$ (1.00)	\$ 0.54
Weighted average shares of Class A common stock outstanding				
Basic	18,739,564	18,196,454	18,651,858	18,098,227
Diluted	18,739,564	18,368,051	18,651,858	18,182,856
Cash dividends declared per share of Class A common stock	\$ 0.23	\$ 0.22	\$ 0.69	\$ 0.66

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (42,363)	\$ 6,838	\$ (30,240)	\$ 18,319
Change in cumulative translation adjustment	(256)	70	30	(43)
Other comprehensive income (loss), net of tax	(256)	70	30	(43)
Comprehensive income (loss)	(42,619)	6,908	(30,210)	18,276
Less: comprehensive income (loss) attributable to non-controlling interest	(17,346)	3,255	(11,512)	8,331
Comprehensive income (loss) attributable to RE/MAX Holdings, Inc., net of tax	<u>\$ (25,273)</u>	<u>\$ 3,653</u>	<u>\$ (18,698)</u>	<u>\$ 9,945</u>

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss), net of tax	Non- controlling interest	Total stockholders' equity
	Shares	Amount	Shares	Amount					
Balances, January 1, 2021	18,390,691	\$ 2	1	\$ —	\$ 491,422	\$ 25,628	\$ 612	\$ (416,007)	\$ 101,657
Net income (loss)	—	—	—	—	—	1,163	—	600	1,763
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(2,889)	(2,889)
Equity-based compensation expense and dividend equivalents	459,330	—	—	—	12,679	(472)	—	—	12,207
Dividends to Class A common stockholders	—	—	—	—	—	(4,326)	—	—	(4,326)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	41	38	79
Payroll taxes related to net settled restricted stock units	(130,773)	—	—	—	(5,291)	—	—	—	(5,291)
Balances, March 31, 2021	18,719,248	2	1	—	498,810	21,993	653	(418,258)	103,200
Net income (loss)	—	—	—	—	—	5,261	—	5,099	10,360
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(4,110)	(4,110)
Equity-based compensation expense and dividend equivalents	640	—	—	—	4,615	—	—	—	4,615
Dividends to Class A common stockholders	—	—	—	—	—	(4,345)	—	—	(4,345)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	110	97	207
Payroll taxes related to net settled restricted stock units	(223)	—	—	—	(7)	—	—	—	(7)
Other	—	—	—	—	12	—	—	—	12
Balances, June 30, 2021	18,719,665	\$ 2	1	\$ —	\$ 503,430	\$ 22,909	\$ 763	\$ (417,172)	\$ 109,932
Net income (loss)	—	—	—	—	—	(25,149)	—	(17,214)	(42,363)
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(3,781)	(3,781)
Equity-based compensation expense and dividend equivalents	87,428	—	—	—	7,004	—	—	—	7,004
Dividends to Class A common stockholders	—	—	—	—	—	(4,345)	—	—	(4,345)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	(124)	(132)	(256)
Payroll taxes related to net settled restricted stock units	(899)	—	—	—	(31)	—	—	—	(31)
Other	—	—	—	—	21	—	—	—	21
Balances, September 30, 2021	18,806,194	2	1	—	510,424	(6,585)	639	(438,299)	66,181

	Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss), net of tax	Non- controlling interest	Total stockholders' equity
	Shares	Amount	Shares	Amount					
Balances, January 1, 2020	17,838,233	\$ 2	1	\$ —	\$ 466,945	\$ 30,732	\$ 414	\$ (411,267)	\$ 86,826
Net income (loss)	—	—	—	—	—	2,714	—	2,724	5,438
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(2,777)	(2,777)
Equity-based compensation expense and dividend equivalents	368,375	—	—	—	5,962	(289)	—	—	5,673
Dividends to Class A common stockholders	—	—	—	—	—	(3,986)	—	—	(3,986)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	(36)	(194)	(230)
Payroll taxes related to net settled restricted stock units	(82,645)	—	—	—	(2,268)	—	—	—	(2,268)
Balances, March 31, 2020	18,123,963	2	1	—	470,639	29,171	378	(411,514)	88,676
Net income (loss)	—	—	—	—	—	3,552	—	2,491	6,043
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(2,789)	(2,789)
Equity-based compensation expense and dividend equivalents	—	—	—	—	2,812	—	—	—	2,812
Dividends to Class A common stockholders	—	—	—	—	—	(3,987)	—	—	(3,987)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	62	55	117
Other	—	—	—	—	—	2	—	—	2
Balances, June 30, 2020	18,123,963	2	1	—	\$ 473,451	\$ 28,738	\$ 440	\$ (411,757)	\$ 90,874
Net income (loss)	—	—	—	—	—	3,617	—	3,221	6,838
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(5,000)	(5,000)
Equity-based compensation expense and dividend equivalents	—	—	—	—	3,413	—	—	—	3,413
Dividends to Class A common stockholders	—	—	—	—	—	(3,988)	—	—	(3,988)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	36	34	70
Acquisitions	248,171	—	—	—	8,800	—	—	—	8,800
Other	—	—	—	—	—	1	—	—	1
Balances, September 30, 2020	<u>18,372,134</u>	<u>2</u>	<u>1</u>	<u>—</u>	<u>485,664</u>	<u>28,368</u>	<u>476</u>	<u>(413,502)</u>	<u>101,008</u>

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ (30,240)	\$ 18,319
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,236	19,154
Impairment charge - leased assets	—	7,902
Impairment charge - goodwill	5,123	—
Bad debt expense	(208)	4,024
Loss on early extinguishment of debt	264	—
Equity-based compensation expense	27,315	8,347
Deferred income tax expense (benefit)	(1,869)	1,889
Fair value adjustments to contingent consideration	330	(105)
Non-cash lease expense (benefit)	(984)	—
Other, net	453	209
Changes in operating assets and liabilities	(5,776)	(16,268)
Net cash provided by operating activities	16,644	43,471
Cash flows from investing activities:		
Purchases of property, equipment and capitalization of software	(12,069)	(4,575)
Acquisitions, net of cash, cash equivalents and restricted cash acquired of \$14.1 million and \$0.9 million, respectively	(180,402)	(10,627)
Net cash used in investing activities	(192,471)	(15,202)
Cash flows from financing activities:		
Proceeds from the issuance of debt	458,850	—
Payments on debt	(226,240)	(1,986)
Capitalized debt amendment costs	(3,871)	—
Distributions paid to non-controlling unitholders	(10,780)	(10,566)
Dividends and dividend equivalents paid to Class A common stockholders	(13,488)	(12,250)
Payments related to tax withholding for share-based compensation	(5,329)	(2,268)
Net cash provided by (used in) financing activities	199,142	(27,070)
Effect of exchange rate changes on cash	54	(30)
Net increase in cash, cash equivalents and restricted cash	23,369	1,169
Cash, cash equivalents and restricted cash, beginning of period	121,227	103,601
Cash, cash equivalents and restricted cash, end of period	\$ 144,596	\$ 104,770
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 3,962	\$ 6,638
Net cash paid for income taxes	\$ 11,452	\$ 3,963
Schedule of non-cash investing activities:		
Class A shares issued as consideration for acquisitions	\$ —	\$ 8,800

See accompanying notes to unaudited condensed consolidated financial statements.

1. Business and Organization

RE/MAX Holdings, Inc. (“Holdings”) and its consolidated subsidiaries, including RMCO, LLC (“RMCO”), are referred to hereinafter as the “Company.”

The Company is a franchisor in the real estate industry, franchising real estate brokerages globally under the RE/MAX brand (“RE/MAX”) and mortgage brokerages within the United States (“U.S.”) under the Motto Mortgage brand (“Motto”). RE/MAX, founded in 1973, has nearly 140,000 agents operating in over 8,000 offices and a presence in more than 110 countries and territories. Motto, founded in 2016, is the first nationally franchised mortgage brokerage in the U.S. RE/MAX and Motto are 100% franchised—the Company does not own any of the brokerages that operate under these brands. On July 21, 2021, the Company acquired the operating companies of the North America regions of RE/MAX INTEGRA (“INTEGRA NA” or “INTEGRA”) converting INTEGRA’s formerly Independent Regions into Company-Owned Regions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Condensed Consolidated Balance Sheet at December 31, 2020, which was derived from the audited consolidated financial statements at that date, and the unaudited interim condensed consolidated financial statements and notes thereto have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements are presented on a consolidated basis and include the accounts of Holdings and its consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated. In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly the Company’s financial position as of September 30, 2021 and the results of its operations and comprehensive income (loss), cash flows and changes in its stockholders’ equity for the three and nine months ended September 30, 2021 and 2020. Interim results may not be indicative of full-year performance.

These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements within the Company’s Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2020 (“2020 Amendment No. 1 to Annual Report on Form 10-K/A”), filed with the Securities and Exchange Commission (“SEC”) on December 21, 2021. Please refer to that document for a fuller discussion of all significant accounting policies.

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company operates under the following four operating segments: Real Estate, Mortgage, Marketing Funds and booj. Due to quantitative insignificance, the booj operating segment does not meet the criteria of a reportable segment and is included in “Other”.

Revenue Recognition

The Company generates most of its revenue from contracts with customers. The Company’s major streams of revenue are:

- Continuing franchise fees, which are fixed contractual fees paid monthly by RE/MAX or Motto franchisees or Independent Region sub-franchisors based on the number of RE/MAX agents or Motto franchisees based on the number of offices.
- Annual dues, which are fees charged directly to RE/MAX agents.

- Broker fees, which are fees on real estate commissions when a RE/MAX agent assists a consumer to buy or sell a home.
- Marketing Funds fees, which are fixed contractual fees paid monthly by franchisees based on the number of RE/MAX agents or Motto franchisees based on the number of offices.
- Franchise sales and other revenue, which consist of fees from initial sales of RE/MAX and Motto franchises, renewals of RE/MAX franchises and master franchise fees, as well as technology and data services subscription revenue, loan processing revenue, preferred marketing arrangements, approved supplier programs and event-based revenue from training and other programs.

Annual Dues

The activity in the Company's deferred revenue for annual dues consists of the following (in thousands):

	Balance at beginning of period	New billings	Revenue recognized ^(a)	Balance at end of period
Nine Months Ended September 30, 2021	\$ 14,539	\$ 27,246	\$ (26,508)	\$ 15,277

(a) Revenue recognized related to the beginning balance was \$12.9 million for the nine months ended September 30, 2021, respectively.

Franchise Sales

The activity in the Company's franchise sales deferred revenue accounts consists of the following (in thousands):

	Balance at beginning of period	New billings	Revenue recognized ^(a)	Balance at end of period
Nine Months Ended September 30, 2021	\$ 25,069	\$ 6,933	\$ (6,651)	\$ 25,351

(a) Revenue recognized related to the beginning balance was \$6.0 million for the nine months ended September 30, 2021, respectively.

Commissions Related to Franchise Sales

Commissions paid on franchise sales are recognized as an asset and amortized over the contract life of the franchise agreement. The activity in the Company's capitalized contract costs for commissions (which are included in "other current assets" and "other assets, net of current portion" on the Condensed Consolidated Balance Sheets) consist of the following (in thousands):

	Balance at beginning of period	Expense recognized	Additions to contract cost for new activity	Balance at end of period
Nine Months Ended September 30, 2021	\$ 3,690	\$ (1,013)	\$ 1,135	\$ 3,812

Disaggregated Revenue

In the following table, segment revenue is disaggregated by Company-Owned or Independent Regions, where applicable, and by geographical area (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
U.S. Company-Owned Regions ^(a)	\$ 42,922	\$ 35,286	\$ 113,081	\$ 91,375
U.S. Independent Regions ^(a)	2,592	3,604	9,610	9,767
Canada Company-Owned Regions ^(a)	8,889	3,579	17,243	9,119
Canada Independent Regions ^(a)	1,258	2,090	5,827	6,162
Global	2,967	2,335	8,462	6,679
Fee revenue ^(b)	58,628	46,894	154,223	123,102
Franchise sales and other revenue ^(c)	5,995	4,058	17,845	16,126
Total Real Estate	64,623	50,952	172,068	139,228
U.S.	18,471	15,701	51,012	41,948
Canada	4,541	1,405	7,702	4,075
Global	257	184	742	554
Total Marketing Funds	23,269	17,290	59,456	46,577
Mortgage ^(d)	2,620	1,906	7,353	4,434
Other ^(d)	485	925	1,661	3,313
Total	\$ 90,997	\$ 71,073	\$ 240,538	\$ 193,552

- (a) On July 21, 2021, the Company acquired the operating companies of the North America regions of RE/MAX INTEGRA. Fee revenue from these regions were previously recognized in the U.S. and Canada Independent Regions. See Note 5, *Acquisitions*, for information related to this transaction.
- (b) Fee revenue includes Continuing franchise fees, Annual dues and Broker fees.
- (c) Franchise sales and other revenue is derived primarily within the U.S.
- (d) Revenue from Mortgage and Other are derived exclusively within the U.S.

Transaction Price Allocated to the Remaining Performance Obligations

The following table includes estimated revenue by year, excluding certain other immaterial items, expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period (in thousands):

	Remainder of 2021	2022	2023	2024	2025	2026	Thereafter	Total
Annual dues	\$ 7,146	\$ 8,131	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,277
Franchise sales	1,850	6,646	5,295	4,078	2,812	1,509	3,161	25,351
Total	\$ 8,996	\$ 14,777	\$ 5,295	\$ 4,078	\$ 2,812	\$ 1,509	\$ 3,161	\$ 40,628

Cash, Cash Equivalents and Restricted Cash

All cash held by the Marketing Funds is contractually restricted. The following table reconciles the amounts presented for cash, both unrestricted and restricted, in the Condensed Consolidated Balance Sheets to the amounts presented in the Condensed Consolidated Statements of Cash Flows (in thousands):

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 119,446	\$ 101,355
Restricted cash	25,150	19,872
Total cash, cash equivalents and restricted cash	\$ 144,596	\$ 121,227

Services Provided to the Marketing Funds by Real Estate

Real Estate charges the Marketing Funds for various services it performs. These services primarily comprise (a) building and maintaining agent marketing technology, including customer relationship management tools, the www.remax.com website, agent, office and team websites, and mobile apps, (b) dedicated employees focused on marketing campaigns, and (c) various administrative services including customer support of technology, accounting and legal. Because these costs are ultimately paid by the Marketing Funds, they do not impact the net income (loss) of Holdings as the Marketing Funds have no reported net income (loss).

Costs charged from Real Estate to the Marketing Funds are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Technology - operating	\$ 3,213	\$ 2,721	\$ 10,046	\$ 9,414
Technology - capital	243	104	647	864
Marketing staff and administrative services	1,725	988	4,032	3,199
Total	<u>\$ 5,181</u>	<u>\$ 3,813</u>	<u>\$ 14,725</u>	<u>\$ 13,477</u>

Leases

The Company leases corporate offices, a distribution center, billboards and certain equipment. As all franchisees are independently owned and operated, there are no leases recognized for any offices used by the Company's franchisees. All the Company's material leases are classified as operating leases.

The Company acts as the lessor for sublease agreements on its corporate headquarters, consisting solely of operating leases.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, are recognized on a straight-line basis over the lease term.

During the third quarter of 2020, the Company began executing on a plan to both refresh its corporate headquarters and sublease space made available through the refresh. As a result, the Company changed its asset grouping for its headquarters ROU asset to separate the portion that it intends to sublease from the portion it will continue to occupy and performed an impairment test on the portion it intends to sublease. Based on a comparison of undiscounted cash flows to the ROU asset, the Company determined that the asset was impaired, driven largely by the difference between the existing lease rate on the Company's corporate headquarters and expected sublease rates available in the market. This resulted in an impairment charge of \$7.9 million, which reflects the excess of the ROU asset over its fair value.

Foreign Currency Derivatives

The Company is exposed to foreign currency transaction gains and losses related to certain foreign currency denominated asset and liability positions, with the Canadian dollar representing the most significant exposure primarily from an intercompany Canadian loan between RMCO and the new Canadian entity for INTEGRA. The Company uses short duration foreign currency forward contracts, generally with maturities ranging from a few days to a few months, to minimize its exposures related to foreign currency exchange rate fluctuations. None of these contracts are designated as accounting hedges as the underlying currency positions are revalued through *Foreign currency transaction gains (losses)* along with the related derivative contracts.

As of September 30, 2021, the Company had an aggregate U.S. dollar equivalent of \$58.5 million notional amount of Canadian dollar forward contracts to hedge these exposures.

Recently Adopted Accounting Pronouncements

None.

New Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*, which contains temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”). The new guidance is effective upon issuance and may be adopted on any date on or after March 12, 2020. The relief is temporary and only available until December 31, 2022, when the reference rate replacement activity is expected to have completed. The Company believes the amendments of ASU 2020-04 will not have a significant impact on the Company’s consolidated financial statements and related disclosures as the Company does not currently engage in interest rate hedging of its LIBOR based debt, nor does it believe it has any material contracts tied to LIBOR other than its Senior Secured Credit Facility, as discussed in Note 8, *Debt*. The Company does not expect any material adverse consequences from this transition.

3. Non-controlling Interest

Holdings is the sole managing member of RMCO and operates and controls all the business affairs of RMCO. The ownership of the common units in RMCO is summarized as follows:

	September 30, 2021		December 31, 2020	
	Shares	Ownership %	Shares	Ownership %
Non-controlling interest ownership of common units in RMCO	12,559,600	40.0 %	12,559,600	40.6 %
Holdings outstanding Class A common stock (equal to Holdings common units in RMCO)	18,806,194	60.0 %	18,390,691	59.4 %
Total common units in RMCO	31,365,794	100.0 %	30,950,291	100.0 %

The weighted average ownership percentages for the applicable reporting periods are used to calculate the “Net income (loss) attributable to RE/MAX Holdings, Inc.” A reconciliation of “Income (loss) before provision for income taxes” to “Net income (loss) attributable to RE/MAX Holdings, Inc.” and “Net Income (loss) attributable to non-controlling interest” in the accompanying Condensed Consolidated Statements of Income (Loss) for the periods indicated is detailed as follows (in thousands, except percentages):

Three Months Ended September 30,						
	2021			2020 (d)		
	RE/MAX Holdings, Inc.	Non-controlling interest	Total	RE/MAX Holdings, Inc.	Non-controlling interest	Total
Weighted average ownership percentage of RMCO(a)	59.8 %	40.2 %	100.0 %	59.2 %	40.8 %	100.0
Income (loss) before provision for income taxes(a)	\$ (24,836)	\$ (16,735)	\$ (41,571)	\$ 5,212	\$ 3,683	\$ 8,895
(Provision) / benefit for income taxes(b)(c)	(313)	(479)	(792)	(1,595)	(462)	(2,057)
Net income (loss)	\$ (25,149)	\$ (17,214)	\$ (42,363)	\$ 3,617	\$ 3,221	\$ 6,838

Nine Months Ended September 30,						
	2021			2020 (d)		
	RE/MAX Holdings, Inc.	Non-controlling interest	Total	RE/MAX Holdings, Inc.	Non-controlling interest	Total
Weighted average ownership percentage of RMCO(a)	59.8 %	40.2 %	100.0 %	59.0 %	41.0 %	100.0
Income (loss) before provision for income taxes(a)	\$ (17,208)	\$ (11,578)	\$ (28,786)	\$ 14,836	\$ 10,067	\$ 24,903
(Provision) / benefit for income taxes(b)(c)	(1,517)	63	(1,454)	(4,953)	(1,631)	(6,584)
Net income (loss)	\$ (18,725)	\$ (11,515)	\$ (30,240)	\$ 9,883	\$ 8,436	\$ 18,319

- (a) The weighted average ownership percentage of RMCO differs from the allocation of income (loss) before provision for income taxes between Holdings and the non-controlling interest due to certain relatively insignificant items recorded at Holdings.
- (b) The provision for income taxes attributable to Holdings is primarily comprised of U.S. federal and state income taxes on its proportionate share of the flow-through income (loss) from RMCO. It also includes Holdings’ share of taxes directly incurred by RMCO and its subsidiaries, including taxes in certain foreign jurisdictions.

- (c) The provision for income taxes attributable to the non-controlling interest represents its share of taxes incurred by RMCO and its subsidiaries (both foreign taxes and taxes from non-flow through subsidiaries). Otherwise, because RMCO is a flow-through entity, there is no U.S. federal and state income tax provision recorded on the non-controlling interest. Amounts shown for the nine months ended September 30, 2021 include a reversal of an uncertain tax position, the majority of which was allocated to the non-controlling interest (see Note 10, *Income Taxes* for additional information).
- (d) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Distributions and Other Payments to Non-controlling Unitholders

Under the terms of RMCO's limited liability company operating agreement, RMCO makes cash distributions to non-controlling unitholders on a pro-rata basis. The distributions paid or payable to non-controlling unitholders are summarized as follows (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Tax and other distributions	\$ 2,113	\$ 2,277
Dividend distributions	8,667	8,289
Total distributions to non-controlling unitholders	<u>\$ 10,780</u>	<u>\$ 10,566</u>

4. Earnings (Loss) Per Share and Dividends

Earnings (Loss) Per Share

The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS calculations (in thousands, except shares and per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020 ^(b)	2021	2020 ^(b)
Numerator				
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ (25,149)	\$ 3,617	\$ (18,725)	\$ 9,883
Denominator for basic net income (loss) per share of Class A common stock				
Weighted average shares of Class A common stock outstanding	18,739,564	18,196,454	18,651,858	18,098,227
Denominator for diluted net income (loss) per share of Class A common stock				
Weighted average shares of Class A common stock outstanding	18,739,564	18,196,454	18,651,858	18,098,227
Add dilutive effect of the following:				
Restricted stock ^(a)	—	171,597	—	84,629
Weighted average shares of Class A common stock outstanding, diluted	<u>18,739,564</u>	<u>18,368,051</u>	<u>18,651,858</u>	<u>18,182,856</u>
Earnings per share of Class A common stock				
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock, basic	\$ (1.34)	\$ 0.20	\$ (1.00)	\$ 0.55
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock, diluted	<u>\$ (1.34)</u>	<u>\$ 0.20</u>	<u>\$ (1.00)</u>	<u>\$ 0.54</u>

(a) As the Company had a net loss for the three and nine months ended September 30, 2021, these shares would have been considered anti-dilutive and therefore there is no effect on the weighted average shares of Class A common stock outstanding EPS calculation.

(b) Prior year amounts and per share amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Outstanding Class B common stock does not share in the earnings of Holdings and is therefore not a participating security. Accordingly, basic and diluted net income (loss) per share of Class B common stock has not been presented.

Dividends

Dividends declared and paid during each quarter ended per share on all outstanding shares of Class A common stock were as follows (in thousands, except per share information):

Nine Months Ended September 30,								
2021					2020			
Quarter end declared	Date paid	Per share	Amount paid to Class A stockholders	Amount paid to Non-controlling unitholders	Date paid	Per share	Amount paid to Class A stockholders	Amount paid to Non-controlling unitholders
March 31	March 17, 2021	\$ 0.23	\$ 4,326	\$ 2,889	March 18, 2020	\$ 0.22	\$ 3,986	\$ 2,763
June 30	June 2, 2021	0.23	4,345	2,889	June 2, 2020	0.22	3,987	2,763
September 30	August 31, 2021	0.23	4,345	2,889	September 2, 2020	0.22	3,988	2,763
		<u>\$ 0.69</u>	<u>\$ 13,016</u>	<u>\$ 8,667</u>		<u>\$ 0.66</u>	<u>\$ 11,961</u>	<u>\$ 8,289</u>

On November 3, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.23 per share on all outstanding shares of Class A common stock, which is payable on December 1, 2021 to stockholders of record at the close of business on November 17, 2021.

5. Acquisitions

RE/MAX INTEGRA North America Regions Acquisition

On July 21, 2021, the Company acquired the operating companies of the North America regions of INTEGRA whose territories cover five Canadian provinces (New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island) and nine U.S. states (Connecticut, Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont and Wisconsin) for cash consideration of approximately \$235.0 million. The Company acquired these companies in order to convert these formerly Independent Regions into Company-Owned Regions, advance its ability to scale, deliver value to its affiliates and recapture the value differential of more than 19,000 agents (approximately 12,000 in Canada and 7,000 in the U.S.). The Company funded the acquisition by refinancing its Senior Secured Credit Facility (See Note 8, *Debt*) and using cash from operations.

The Company allocated \$40.5 million of the purchase price to a loss on the pre-existing master franchise agreements with INTEGRA which were effectively settled with the acquisition. The loss represents the fair value of the difference between the historical contractual royalty rates paid by INTEGRA and the current market rate. The loss is recorded in "Settlement and impairment charges" in the accompanying Condensed Consolidated Statements of Income (Loss).

For the three and nine months ended September 30, 2021, INTEGRA contributed incremental revenues of \$11.5 million.

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The following table summarizes the preliminary allocation of the purchase price (net of settlement loss) to the fair value of assets acquired and liabilities assumed for the acquisition (in thousands):

Cash and cash equivalents and restricted cash	\$	14,098
Accounts and notes receivable, net		6,610
Income taxes receivable		494
Other current assets		683
Property and equipment, net of accumulated depreciation		63
Franchise agreements ^(a)		96,550
Other intangible assets, net ^(a)		9,000
Other assets, net of current portion		1,930
Goodwill ^(c)		108,269
Accounts payable		(3,409)
Accrued liabilities		(14,012)
Income taxes payable		(2,900)
Deferred revenue		(824)
Deferred tax liabilities, net		(20,152)
Other liabilities, net of current portion		(1,900)
Total purchase price allocated to assets and liabilities		194,500
Loss on contract settlement		40,500
Total consideration	\$	235,000

- (a) The Company expects to amortize the acquired Franchise agreements over a weighted average useful life of approximately 12 years and the non-compete agreements included in Other intangible assets, net over a useful life of 5 years using the straight-line method.
- (b) The Company expects 50% of the goodwill in Canada but none in the U.S. to be deductible for tax purposes.

The amounts above are preliminary as the Company has not yet finalized its valuation of the loss on contract settlement, intangible assets and goodwill with its third-party valuation firm. Evaluation of all tax matters remains preliminary as well, including deferred taxes and uncertain tax positions.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if the acquisitions of INTEGRA had occurred on January 1, 2020. The pro forma information presented below is for illustrative purposes only and should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future (in thousands).

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Total revenue	\$ 93,809	\$ 81,943	\$ 267,326	\$ 226,161
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ (25,059)	\$ 2,202	\$ (19,325)	\$ 6,280

Gadberry & wemlo

On September 10, 2020, the Company acquired The Gadberry Group, LLC (“Gadberry”) for \$4.6 million in cash, net of cash acquired, and \$5.5 million in Class A common stock, plus approximately \$9.9 million of equity-based compensation, which is accounted for as compensation expense over the service period of two to three years (see Note 11, *Equity-Based Compensation* for additional information). In addition, the Company recorded a contingent consideration liability in connection with the purchase of Gadberry, which had an acquisition date fair value of \$0.9 million, measured at the present value of the probability weighted consideration expected to be transferred. Gadberry is a location intelligence data company whose products have been instrumental in the success of the Company’s consumer website, www.remax.com. Founded in 2000, Gadberry specializes in building products that help clients solve geospatial challenges through location data. Gadberry plans to expand its non-RE/MAX clients while maintaining and enhancing its contributions to the RE/MAX technology offering.

On August 25, 2020, the Company acquired Wemlo, Inc. (“wemlo”) for \$6.1 million in cash, net of cash acquired, and \$3.3 million in Class A common stock, plus approximately \$6.7 million of equity-based compensation, the vast majority of which was expensed in the first quarter of 2021 related to two employees who departed (see Note 11, *Equity-Based Compensation* for additional information). Wemlo is a fintech company that has developed its cloud service for mortgage brokers, combining third-party loan processing services with an all-in-one digital platform.

The total purchase price for both aforementioned acquisitions was allocated to the assets and liabilities acquired based on their preliminary estimated fair values. The Company recorded \$14.4 million in goodwill, virtually all of which is deductible for tax purposes, and \$6.3 million in other intangibles as a result of these acquisitions.

6. Intangible Assets and Goodwill

The following table provides the components of the Company’s intangible assets (in thousands, except weighted average amortization period in years):

	Weighted Average Amortization Period	As of September 30, 2021			As of December 31, 2020		
		Initial Cost	Accumulated Amortization	Net Balance	Initial Cost	Accumulated Amortization	Net Balance
Franchise agreements	12.6	\$272,028	\$ (118,362)	\$153,666	\$176,354	\$ (106,552)	\$69,802
Other intangible assets:							
Software ^(a)	4.4	\$ 49,119	\$ (27,012)	\$ 22,107	\$ 44,389	\$ (18,926)	\$25,463
Trademarks	8.3	2,352	(1,471)	881	2,325	(1,274)	1,051
Non-compete agreements	5.0	12,897	(3,868)	9,029	3,920	(2,814)	1,106
Training materials	5.0	2,400	(1,480)	920	2,400	(1,120)	1,280
Other	5.3	1,670	(888)	782	1,670	(601)	1,069
Total other intangible assets	4.7	\$ 68,438	\$ (34,719)	\$ 33,719	\$ 54,704	\$ (24,735)	\$29,969

- (a) As of September 30, 2021 and December 31, 2020, capitalized software development costs of \$3.5 million and \$1.4 million, respectively, were related to technology projects not yet complete and ready for their intended use and thus were not subject to amortization.

Amortization expense was \$7.9 million and \$6.3 million for the three months ended September 30, 2021 and 2020, respectively. Amortization expense was \$20.6 million and \$17.8 million for the nine months ended September 30, 2021 and 2020. The prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

The estimated future amortization expense related to intangible assets includes the estimated amortization expense associated with the Company's intangible assets assumed with the Company's acquisitions (in thousands):

As of September 30, 2021

Remainder of 2021	\$	8,749
2022		32,598
2023		28,011
2024		24,569
2025		20,163
Thereafter		73,295
	\$	<u>187,385</u>

The following table presents changes to goodwill by reportable segment (in thousands):

	Real Estate	Mortgage	Total
Balance, January 1, 2021	\$ 146,725	\$ 18,633	\$ 165,358
Purchase price adjustments	133	—	133
Goodwill recognized from acquisitions	108,269	—	108,269
Impairment charge	(5,123)	—	(5,123)
Effect of changes in foreign currency exchange rates	(247)	—	(247)
Balance, September 30, 2021	<u>\$ 249,757</u>	<u>\$ 18,633</u>	<u>\$ 268,390</u>

Impairment charge - goodwill

We assess goodwill for impairment at least annually or whenever an event occurs, or circumstances change that would indicate impairment may have occurred at the reporting unit level. Reporting units are driven by the level at which segment management reviews operating results.

During the third quarter of 2021, the Company identified impairment indicators associated with its First Leads, Inc. ("First") reporting unit in the Real Estate segment, primarily lower than expected adoption rates of the technology in the third quarter and lower expected adoption rates estimated for the fourth quarter. This also resulted in a downward revision to the long-term adoption rate, which is a significant input in calculating the fair value of the reporting unit. Because of this, the Company performed an interim impairment test on the goodwill at its First reporting unit, as of August 31, 2021, using a discounted cash flow method. As a result of this impairment test, the Company recorded a non-cash impairment charge of \$5.1 million, recorded in "Settlement and impairment charges" in the accompanying Condensed Consolidated Statements of Income (Loss).

7. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Marketing Funds ^(a)	\$ 58,481	\$ 48,452
Accrued payroll and related employee costs	18,370	10,692
Accrued taxes	1,712	2,491
Accrued professional fees	4,232	1,806
Other	8,398	5,130
	<u>\$ 91,193</u>	<u>\$ 68,571</u>

(a) Consists primarily of liabilities recognized to reflect the contractual restriction that all funds collected in the Marketing Funds must be spent for designated purposes. See Note 2, *Summary of Significant Accounting Policies* for additional information.

8. Debt

Debt, net of current portion, consists of the following (in thousands):

	September 30, 2021	December 31, 2020
Senior Secured Credit Facility	\$ 458,850	\$ 225,013
Other long-term financing	—	78
Less unamortized debt issuance costs	(4,329)	(882)
Less unamortized debt discount costs	(1,531)	(644)
Less current portion	(4,600)	(2,428)
	<u>\$ 448,390</u>	<u>\$ 221,137</u>

Maturities of debt are as follows (in thousands):

As of September 30, 2021

Remainder of 2021	\$ 1,150
2022	4,600
2023	4,600
2024	4,600
2025	4,600
Thereafter	439,300
	<u>\$ 458,850</u>

Senior Secured Credit Facility

On July 21, 2021, the Company amended and restated its Senior Secured Credit Facility to fund the acquisition of INTEGRA and refinance its existing facility. The revised facility provides for a seven-year \$460.0 million term loan facility which matures on July 21, 2028, and a \$50.0 million revolving loan facility which must be repaid on July 21, 2026. The Senior Secured Credit Facility requires RE/MAX, LLC to repay term loans at \$1.2 million per quarter.

Borrowings under the term loans and revolving loans accrue interest, at the Company's option on (a) LIBOR, provided LIBOR shall be no less than 0.50% plus an applicable margin of 2.50% and, provided further that such rate shall be adjusted for reserve requirements for eurocurrency liabilities, if any (the "LIBOR Rate") or (b) the greatest of (i) the prime rate as quoted by the Wall Street Journal, (ii) the NYFRB Rate (as defined in the Senior Secured Credit Facility) plus 0.50% and (iii) the one-month Eurodollar Rate plus 1.00%, (such greatest rate, the "ABR") plus, in each case, an applicable margin of 1.50%. As of September 30, 2021, the interest rate on the term loan facility was 3.0%.

A commitment fee of 0.5% per annum (subject to reductions) accrues on the amount of unutilized revolving line of credit. As of the date of this report, no amounts were drawn on the revolving line of credit.

9. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, the Company follows a three-tier fair value hierarchy, which is described in detail in the 2020 Amendment No. 1 to Annual Report on Form 10-K/A.

A summary of the Company's liabilities measured at fair value on a recurring basis is as follows (in thousands):

	As of September 30, 2021				As of December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Liabilities								
Motto contingent consideration ^(a)	\$ 5,200	\$ —	\$ —	\$ 5,200	\$ 4,750	\$ —	\$ —	\$ 4,750
Gadberry contingent consideration ^(a)	1,470	—	—	1,470	1,590	—	—	1,590
Contingent consideration ^(a)	<u>\$ 6,670</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,670</u>	<u>\$ 6,340</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,340</u>

(a) Recorded as a component of "Accrued liabilities" and "Other liabilities, net of current portion" in the accompanying Condensed Consolidated Balance Sheets.

The Company is required to pay additional purchase consideration totaling 8% of gross receipts collected by Motto each year (the "Revenue Share Year") through September 30, 2026, with no limitation as to the maximum payout. The annual payment is required to be made within 120 days of the end of each Revenue Share Year. The fair value of the contingent purchase consideration represents the forecasted discounted cash payments that the Company expects to pay. Increases or decreases in the fair value of the contingent purchase consideration can result from changes in discount rates as well as the timing and amount of forecasted revenues. The forecasted revenue growth assumption that is most sensitive is the assumed franchise sales count for which the forecast assumes between 70 and 80 franchises sold annually. This assumption is based on historical sales and an assumption of growth over time. A 10% reduction in the number of franchise sales would decrease the liability by \$0.2 million. A 1% change to the discount rate applied to the forecast changes the liability by approximately \$0.1 million. As of September 30, 2021, contingent consideration also includes an amount recognized in connection with the acquisition of Gadberry (see Note 6, Acquisitions, for more information on this acquisition). The Company measures these liabilities each reporting period and recognizes changes in fair value, if any, in "Selling, operating and administrative expenses" in the accompanying Condensed Consolidated Statements of Income (Loss).

The table below presents a reconciliation of the contingent consideration (in thousands):

	Total
Balance at January 1, 2021	\$ 6,340
Fair value adjustments	330
Balance at September 30, 2021	<u>\$ 6,670</u>

The following table summarizes the carrying value and estimated fair value of the Senior Secured Credit Facility (in thousands):

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value Level 2	Carrying Amount	Fair Value Level 2
Senior Secured Credit Facility	<u>\$ 452,990</u>	<u>\$ 457,129</u>	<u>\$ 223,487</u>	<u>\$ 223,887</u>

10. Income Taxes

The "Provision for income taxes" in the accompanying Condensed Consolidated Statements of Income (Loss) is based on an estimate of the Company's annualized effective income tax rate, except for the loss on settlement of the pre-existing master franchise contracts of \$40.5 million (as discussed in Note 5, *Acquisitions*), which was evaluated discretely. This loss has no tax provision under GAAP; hence, the year-to-date tax provision is an expense (as opposed to a benefit) for the nine months ended September 30, 2021, even though the Company has a pre-tax year-to-date loss.

Uncertain Tax Positions

The company has recognized uncertain tax position liabilities and related tax expense for certain foreign tax matters, along with a receivable for amounts of such foreign taxes expected to be creditable in the U.S. Based upon the settlement of certain of these matters, the Company adjusted its liability to reflect the amounts ultimately paid during the three months ended June 30, 2021. This resulted in a reduction to income tax expense of \$1.4 million (including interest and penalties) in the Condensed Consolidated Statements of Income (Loss) for the three months ended June 30, 2021.

During the three months ended September 30, 2021 and in connection with the INTEGRA acquisition, the Company assumed an uncertain tax position related to certain U.S. tax matters and also recorded a largely offsetting related indemnification asset. See Note 5 for further details.

While the Company believes the liabilities recognized for uncertain tax positions are adequate to cover reasonable expected tax risks, there can be no assurance that an issue raised by a tax authority will be resolved at a cost that does not exceed the liability recognized.

Uncertain tax position liabilities represent the aggregate tax effect of differences between the tax return positions and the amounts otherwise recognized in the consolidated financial statements and are recognized in "Income taxes payable" in the Condensed Consolidated Balance Sheets. Interest and penalties are accrued on the uncertain tax positions and included in the "Provision for income taxes" in the accompanying Consolidated Statements of Income.

A reconciliation of the beginning and ending amount, excluding interest and penalties is as follows:

	As of September 30,	
	2021	2020
Balance, January 1	\$ 5,300	\$ 4,810
Increases related to prior period tax positions	96	338
Decrease related to prior year tax positions	(815)	—
Increase related to tax positions from acquired companies	1,587	—
Settlements	(3,776)	—
Foreign currency transaction gains/losses	351	—
Balance, September 30	\$ 2,743	\$ 5,148

Of the Company's remaining uncertain tax positions, \$1.9 million have a reasonable possibility of being settled within the next 12 months.

11. Equity-Based Compensation

Employee equity-based compensation expense under the RE/MAX Holdings, Inc. 2013 Omnibus Incentive Plan (the "Incentive Plan"), net of the amount capitalized in internally developed software, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Expense from time-based awards ^{(a)(b)}	\$ 3,756	\$ 3,040	\$ 17,321	\$ 7,535
Expense from performance-based awards ^{(a)(c)}	3,188	374	4,855	844
Expense from bonus to be settled in shares ^(d)	2,064	—	5,139	—
Equity-based compensation capitalized	—	—	—	(32)
Equity-based compensation expense	\$ 9,008	\$ 3,414	\$ 27,315	\$ 8,347

- (a) Includes awards granted to booj, First, wemlo and Gadberry employees and former owners at the time of acquisition.
- (b) During the nine months ended September 30, 2021, the Company recognized \$5.5 million of expense as a result of the acceleration of significant grants that were issued to two employees of an acquired company who departed during the first quarter of 2021.
- (c) Expense recognized for performance-based awards is re-assessed each quarter based on expectations of achievement against the performance conditions. The acquisition of INTEGRA significantly increased the expected performance against the revenue performance condition resulting in an increase in expense for those awards.
- (d) A portion of the annual corporate bonus earned is to be settled in shares. These amounts are recognized as "Accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets and are not included in "Additional paid-in capital" until the shares are issued.

Time-based Restricted Stock

The following table summarizes equity-based compensation activity related to time-based restricted stock units and restricted stock awards:

	Shares	Weighted average grant date fair value per share
Balance, January 1, 2021	1,018,008	\$ 36.74
Granted	268,858	\$ 39.16
Shares vested (including tax withholding) ^(a)	(498,446)	\$ 37.78
Forfeited	(20,545)	\$ 38.05
Balance, September 30, 2021	<u>767,875</u>	<u>\$ 36.88</u>

(a) Pursuant to the terms of the Incentive Plan, shares withheld by the Company for the payment of the employee's tax withholding related to shares vesting are added back to the pool of shares available for future awards.

As of September 30, 2021, there was \$17.6 million of total unrecognized expense. This compensation expense is expected to be recognized over the weighted-average remaining vesting period of 1.6 years.

Performance-based Restricted Stock

As discussed in more detail in the Company's Amendment No.1 to Annual Report on Form 10-K/A, the Company has historically issued performance-based restricted stock awards (PSUs) that contained revenue performance targets and relative total shareholder return (rTSR) targets, both measured over a 3-year performance period. In 2021, the Company changed the structure of its PSUs by issuing awards with only a revenue target and eliminated the rTSR component. Additionally, the revenue target is being measured over three distinct 1-year performance periods, with the target determined near the beginning of each performance period. As a result, the target for 2021 has been determined but will be determined subsequently for 2022 and 2023. These awards cliff-vest at the end of a 3-year period, although the amount of shares that may be earned is fixed after each 1-year performance period ends and performance against target for that period is measured. As with prior revenue performance awards, the Company's expense will be adjusted based on the estimated achievement of revenue versus each target. Because the performance targets for the 1-year periods in 2022 and 2023 have not yet been determined, they do not yet have a grant date under GAAP and are therefore excluded from the table below.

The following table summarizes equity-based compensation activity related to performance-based restricted stock units:

	Shares	Weighted average grant date fair value per share
Balance, January 1, 2021	281,735	\$ 32.34
Granted ^(a)	56,716	\$ 40.07
Forfeited	(2,843)	\$ 28.77
Balance, September 30, 2021	<u>335,608</u>	<u>\$ 33.68</u>

(a) Represents the total participant target award.

As of September 30, 2021, there was \$6.6 million of total unrecognized expense. This compensation expense is expected to be recognized over the weighted-average remaining vesting period of 1.7 years.

12. Commitments and Contingencies

A number of putative class action complaints are pending against the National Association of Realtors (“NAR”), Realogy Holdings Corp., HomeServices of America, Inc., RE/MAX, LLC and Keller Williams Realty, Inc. The first was filed on March 6, 2019, by plaintiff Christopher Moehrl in the United States District Court for the Northern District of Illinois. The second was filed in the same court on April 15, 2019, by plaintiff Sawbill Strategic, Inc. These two actions have now been consolidated (the “Moehrl Action”). Similar actions have been filed in federal courts: a) by Joshua Sitzler and other plaintiffs in the Western District of Missouri (the “Sitzler Action”); b) by Mark Rubenstein and Jeffery Nolan in the District of Connecticut (the “Rubenstein Action”); c) by plaintiff Jennifer Nosalek in the District of Massachusetts (the “Nosalek Action”); and d) by plaintiff Judah Leeder in the Northern District of Illinois (the “Leeder Action”). The complaints make substantially similar allegations and seek substantially similar relief. For convenience, all of these lawsuits are collectively referred to as the “Moehrl-related suits.” In the Moehrl Action, the plaintiffs allege that a NAR rule requires brokers to make a blanket, non-negotiable offer of buyer broker compensation when listing a property, resulting in inflated costs to sellers in violation of federal antitrust law. They further allege that certain defendants use their agreements with franchisees to require adherence to the NAR rule in violation of federal antitrust law. Amended complaints added allegations regarding buyer steering and non-disclosure of buyer-broker compensation to the buyer. While similar to the Moehrl Action, various other lawsuits: allege violations of the Missouri Merchandising Practices Act (the Sitzler Action); include a multiple listing service (MLS) defendant (the Nosalek Action); allege state antitrust violations (the Sitzler Action and Nosalek Action); allege harm to home buyers rather than sellers (the Rubenstein Action and Leeder Action); allege unjust enrichment (the Leeder Action); and/or allege violations of the Racketeer Influenced and Corrupt Organizations Act (RICO) rather than antitrust law (the Rubenstein Action). Among other requested relief, plaintiffs seek damages against the defendants and injunctive relief. In July 2021, the court granted RE/MAX, LLC’s motion to dismiss the Rubenstein Action and ordered the case dismissed with prejudice. The Company intends to vigorously defend against all remaining claims. The Company may become involved in additional litigation or other legal proceedings concerning the same or similar claims. We are unable to predict whether resolution of these matters would have a material effect on our financial position or results of operations.

On April 9, 2021, a putative class action claim was filed in the Federal Court of Canada against the Toronto Regional Real Estate Board (“TRREB”), The Canadian Real Estate Association (“CREA”), RE/MAX Ontario-Atlantic Canada Inc. (“RE/MAX OA”), which was acquired by the Company in July 2021 (see Note 5, *Acquisitions*, for additional information), Century 21 Canada Limited Partnership, Brookfield Asset Management Inc., Royal LePage Real Estate Services Ltd., Homelife Realty Services Inc., Right At Home Realty Inc., Forest Hill Real Estate Inc., Harvey Kalles Real Estate Ltd., Sotheby’s International Realty Canada, Chestnut Park Real Estate Limited, Sutton Group Realty Services Ltd. and IPRO Realty Ltd. by the putative representative plaintiff, Mark Sunderland (the “Plaintiff”). The Plaintiff alleges that the Defendants and their co-conspirators conspired, agreed or arranged with each other to fix, maintain, increase, control, raise, or stabilize the rate of real estate buyers’ brokerages’ and salespersons’ commissions in respect of the purchase and sale of properties listed on TRREB’s multiple listing service system (the “Toronto MLS”); that the Defendants and their co-conspirators acted in furtherance of their conspiracy, agreement or arrangement to fix, maintain, increase, control, raise, or stabilize the rate of real estate buyers’ brokerages’ and salespersons’ commissions in respect of the purchase and sale of properties listed on the Toronto MLS; and violation of Part VI of the Competition Act, R.S.C. 1985, c. C-34 (“Competition Act”). Among other requested relief, Plaintiff seeks damages against the defendants and injunctive relief. RE/MAX OA denies the allegations in the claim and intends to vigorously defend the action.

13. Immaterial Corrections to Prior Period Financial Statements

During the third quarter of 2021, in analyzing the purchase accounting with respect to the acquisition of INTEGRA, the Company determined that a portion of the acquisition purchase price was attributable to a loss on the settlement of the pre-existing master franchise agreements in which the pre-acquisition royalty rates paid by INTEGRA were below the current market rate. This is in contrast to prior Independent Region acquisitions where the Company allocated the entire purchase price to acquired assets, primarily goodwill and other identifiable intangible assets. The Company has determined this same conclusion applied to certain other Independent Regions acquired between 2007 and 2017 where the region paid a royalty rate below the market rate as of the acquisition date. In these circumstances, the Company failed to recognize a loss on settlement of the master franchise contract in the year of acquisition, which caused overstated goodwill and identifiable intangible assets and generally overstated levels of intangible asset amortization expense subsequent to acquisition. The control deficiencies that led to these errors were deemed to constitute a material weakness in the Company’s internal control over financial reporting.

Accordingly, management is correcting the relevant consolidated financial statements and related footnotes for the unaudited three and nine month period ended September 30, 2020 within these condensed consolidated financial statements. Management has evaluated the materiality of these misstatements based on an analysis of quantitative and

qualitative factors and concluded they were not material to the prior period financial statements, individually or in aggregate.

The following table reflects the impact of the immaterial correction on the Company's previously reported consolidated financial statements (in thousands, except per share information):

	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
	As previously reported	As Adjusted	As previously reported	As Adjusted
Depreciation and amortization	\$ 6,850	\$ 6,730	\$ 19,572	\$ 19,154
Operating income (loss)	\$ 10,815	\$ 10,935	\$ 31,260	\$ 31,678
Income (loss) before provision for income taxes	\$ 8,775	\$ 8,895	\$ 24,485	\$ 24,903
Provision for income taxes	\$ (2,051)	\$ (2,057)	\$ (6,547)	\$ (6,584)
Net income (loss)	\$ 6,724	\$ 6,838	\$ 17,938	\$ 18,319
Less: net income (loss) attributable to non-controlling interest	\$ 3,171	\$ 3,221	\$ 8,265	\$ 8,436
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ 3,553	\$ 3,617	\$ 9,673	\$ 9,883
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock, basic	\$ 0.20	\$ 0.20	\$ 0.53	\$ 0.55
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock, diluted	\$ 0.19	\$ 0.20	\$ 0.53	\$ 0.54

14. Segment Information

The Company operates under the following four operating segments: Real Estate, Mortgage, Marketing Funds and booj. Due to quantitative insignificance, the booj operating segment does not meet the criteria of a reportable segment and is included in "Other". Mortgage does not meet the quantitative significance test; however, management has chosen to report results for the segment as it believes it will be a key driver of future success for Holdings. Management evaluates the operating results of its segments based upon revenue and adjusted earnings before interest, the provision for income taxes, depreciation and amortization and other non-cash and non-recurring cash charges or other items ("Adjusted EBITDA"). The Company's presentation of Adjusted EBITDA may not be comparable to similar measures used by other companies. Except for the adjustments identified below in arriving at Adjusted EBITDA, the accounting policies of the reportable segments are the same as those described in the Company's 2020 Amendment No. 1 to Annual Report on Form 10-K/A.

The following table presents revenue from external customers by segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Continuing franchise fees	\$ 30,416	\$ 22,799	\$ 79,064	\$ 61,471
Annual dues	8,967	8,638	26,508	26,304
Broker fees	19,245	15,457	48,651	35,327
Franchise sales and other revenue	5,995	4,058	17,845	16,126
Total Real Estate	64,623	50,952	172,068	139,228
Continuing franchise fees	2,048	1,540	5,729	3,749
Franchise sales and other revenue	572	366	1,624	685
Total Mortgage	2,620	1,906	7,353	4,434
Marketing Funds fees	23,269	17,290	59,456	46,577
Other	485	925	1,661	3,313
Total revenue	\$ 90,997	\$ 71,073	\$ 240,538	\$ 193,552

The following table presents a reconciliation of Adjusted EBITDA by segment to income (loss) before provision for income taxes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Adjusted EBITDA: Real Estate	\$ 36,292	\$ 30,959	\$ 92,014	\$ 71,008
Adjusted EBITDA: Mortgage	(1,282)	(176)	(3,165)	(1,495)
Adjusted EBITDA: Other	(56)	(448)	(238)	(730)
Adjusted EBITDA: Consolidated	34,954	30,335	88,611	68,783
Gain (loss) on sale or disposition of assets, net	—	11	10	33
Loss on contract settlement ^(a)	(40,500)	—	(40,500)	—
Loss on extinguishment of debt ^(b)	(264)	—	(264)	—
Impairment charge - leased assets ^(c)	—	(7,902)	—	(7,902)
Impairment charge - goodwill ^(d)	(5,123)	—	(5,123)	—
Equity-based compensation expense	(9,008)	(3,414)	(27,315)	(8,347)
Acquisition-related expense ^(e)	(9,432)	(1,021)	(14,303)	(1,915)
Fair value adjustments to contingent consideration ^(f)	(320)	(250)	(330)	105
Interest income	19	25	201	328
Interest expense	(3,315)	(2,159)	(7,537)	(7,028)
Depreciation and amortization ^(g)	(8,582)	(6,730)	(22,236)	(19,154)
Income (loss) before provision for income taxes ^(g)	\$ (41,571)	\$ 8,895	\$ (28,786)	\$ 24,903

- (a) Represents the effective settlement of the pre-existing master franchise agreement with INTEGRA that was recognized with the acquisition. See Note 5, *Acquisitions* for additional information.
- (b) The loss was recognized in connection with the amended and restated Senior Secured Credit Facility. See Note 8, *Debt* for additional information.
- (c) Represents the impairment recognized on a portion of the Company's corporate headquarters office building in the prior year. See Note 2, *Summary of Significant Accounting Policies* for additional information.
- (d) Lower than expected adoption rates of the First technology resulted in downward revisions to long-term forecasts, resulting in an impairment charge to the First reporting unit goodwill. See Note 6, *Intangible Assets and Goodwill* for additional information.
- (e) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with the evaluation, due diligence, execution and integration of acquisitions.
- (f) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities. See Note 9, *Fair Value Measurements* for additional information.
- (g) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Item 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements ("financial statements") and accompanying notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and accompanying notes included in our most recent Annual Report on Form 10-K/A for the year ended December 31, 2020 ("2020 Amendment No. 1 to Annual Report on Form 10-K/A"), filed with the Securities and Exchange Commission ("SEC") on December 21, 2021.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These 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; franchise sales; the impact of the global coronavirus ("COVID-19") pandemic on our results of operations, financial condition, liquidity and business, including agent count, revenues, expenses, operations, goodwill, income taxes and allowance for doubtful accounts; support that we offered to our franchisees, its effectiveness, and the implication of this support (or future support) to our revenue; our business model, revenue streams, cost structure, balance sheet, and financial flexibility; management of expenses and capital expenditures in response to the impacts of the COVID-19 pandemic, including the amounts and timing of anticipated reductions; revenue; operating expenses; financial outlook; our plans regarding dividends; non-GAAP financial measures; housing and mortgage market condition and trends; economic and demographic trends; competition; the anticipated benefits our technology initiatives; our anticipated sources and uses of liquidity including for potential acquisitions; future litigation expenses relating to the Moehrl-related suits; our strategic and operating plans and business models including our plans to re-invest in our business; and the expected impact of acquisitions.

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. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors," set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our 2020 Amendment No. 1 to Annual Report on Form 10-K/A. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. Except as required by law, we do not intend, and we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

The results of operations discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are those of RE/MAX Holdings, Inc. ("Holdings") and its consolidated subsidiaries, including RMCO, LLC and its consolidated subsidiaries ("RMCO"), collectively, the "Company," "we," "our" or "us."

Business Overview

We are one of the world's leading franchisors in the real estate industry. We franchise real estate brokerages globally under the RE/MAX brand ("RE/MAX") and mortgage brokerages in the U.S. under the Motto Mortgage brand ("Motto"). We also sell ancillary products and services, primarily technology, to our franchise networks and, in certain instances, we sell those offerings outside our franchise networks. We organize our business based on the services we provide in Real Estate, Mortgage and our collective franchise marketing operations, known as the Marketing Funds. RE/MAX and Motto are 100% franchised—we do not own any of the brokerages that operate under these brands. We focus on enabling our networks' success by providing powerful technology, quality education and training, and valuable marketing to build the strength of the RE/MAX and Motto brands. We support our franchisees in growing their brokerages, although, they fund the cost of developing their brokerages. As a result, we maintain a low fixed-cost structure which, combined with our recurring fee-based models, enables us to capitalize on the economic benefits of the franchising model, yielding high margins and significant cash flow.

Acquisition

On July 21, 2021, we acquired the operating companies of North American regions of RE/MAX INTEGRA ("INTEGRA NA or "INTEGRA") for cash consideration of approximately \$235 million. INTEGRA's regions include five Canadian provinces (New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island) and nine U.S. states (Connecticut, Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont and Wisconsin). The

acquisition converted these formerly Independent Regions into Company-Owned Regions, allowing us to scale, enhance our ability to deliver value to our affiliates and recapture the value differential of more than 19,000 agents (approximately 12,000 in Canada and 7,000 in the U.S.).

Financial and Operational Highlights – Three Months Ended September 30, 2021

(Compared to the three months ended September 30, 2020, unless otherwise noted)

- Revenue of \$91.0 million, an increase of 28.0% from the prior year.
- Revenue, excluding the Marketing Funds, increased to \$67.7 million or 25.9%, which was comprised of 6.9% organic growth, 18.3% growth from acquisitions and 0.7% growth from foreign currency movements ^(a).
- Net income (loss) attributable to RE/MAX Holdings, Inc. decreased to (\$25.1) million.
- Adjusted EBITDA grew 15.2% to \$35.0 million compared to \$30.3 million in the prior year.
- Adjusted EBITDA margin decreased to 38.4% from 42.7% in the prior year.
- Total agent count grew by 4.6% to 140,936 agents.
- U.S. and Canada combined agent count increased 2.2% to 85,656 agents.
- Total open Motto Mortgage offices increased 32.3% to 176 offices.

(a) We define organic revenue growth as revenue growth from continuing operations excluding Marketing Funds, revenue from acquisitions, and foreign currency movements. We define revenue from acquisitions as the incremental revenue generated from the date of an acquisition to its first anniversary (excluding Marketing Funds revenue related to acquisitions where applicable).

We achieved record financial results in the third quarter, which included all-time high quarterly revenue and Adjusted EBITDA which were primarily driven by the INTEGRA acquisition, broad-based performance from our core operations and a robust housing market. Our third quarter revenue growth included contributions from many facets of our business, including: the INTEGRA acquisition, fewer agent recruiting incentives, higher broker fees stemming from rising home prices, increased pricing and Motto expansion, among other factors.

Despite record revenue performance, we incurred a net loss of \$42.4 million as positive revenue contributions were more than offset by settlement and impairment charges of \$45.6 million (for additional information on the loss on contract settlements, refer to Note 5, *Acquisitions*), acquisition costs for INTEGRA, an increase in equity-based compensation expense. Specifically, in connection with the INTEGRA acquisition, we allocated \$40.5 million of the purchase price to a loss on the pre-existing master franchise agreements which were effectively settled. The loss represents the fair value of the difference between the historical contractual royalty rates paid by INTEGRA and the current market rate.

We also added more than 6,000 net new agents compared to the third quarter of 2020, including significant growth in Canada alongside strong growth globally, partially offset by a slight decline in U.S. agent count.

For a detailed discussion of the impacts of COVID-19 on our results in 2020, please see our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020.

Selected Operating and Financial Highlights

The following tables summarize several key performance indicators and our results of operations.

	As of September 30,			
	2021	2020	#	%
Total agent count growth	4.6 %	5.1 %		
Agent Count:				
U.S.	62,007	62,304	(297)	(0.5)%
Canada	23,649	21,498	2,151	10.0 %
Subtotal	85,656	83,802	1,854	2.2 %
Outside U.S. and Canada	55,280	50,967	4,313	8.5 %
Total	140,936	134,769	6,167	4.6 %
Motto open offices ⁽²⁾	176	133	43	32.3 %
	Nine Months Ended September 30,			
	2021	2020	#	%
RE/MAX franchise sales ⁽¹⁾	688	633	55	8.7 %
Motto franchise sales ⁽²⁾	42	47	(5)	(10.6)%

(1) Includes franchise sales in the U.S., Canada and global regions.

(2) Excludes virtual offices and Branchises.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenue	90,997	71,073	\$ 240,538	\$ 193,552
Total selling, operating and administrative expenses ⁽¹⁾	51,099	28,216	\$ 133,591	\$ 88,241
Operating income (loss) ⁽¹⁾	(37,576)	10,935	\$ (20,368)	\$ 31,678
Net income (loss) ⁽¹⁾	(42,363)	6,838	\$ (30,240)	\$ 18,319
Net income (loss) attributable to RE/MAX Holdings, Inc. ⁽¹⁾	(25,149)	3,617	\$ (18,725)	\$ 9,883
Adjusted EBITDA ⁽²⁾	34,954	30,335	\$ 88,611	\$ 68,783
Adjusted EBITDA margin ⁽²⁾	38.4 %	42.7 %	36.8 %	35.5 %

(1) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

(2) See “—Non-GAAP Financial Measures” for further discussion of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of the differences between Adjusted EBITDA and net income (loss), which is the most comparable U.S. generally accepted accounting principles (“U.S. GAAP”) measure for operating performance. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of total revenue.

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020

Revenue

A summary of the components of our revenue is as follows (in thousands except percentages):

	Three Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Revenue:				
Continuing franchise fees	\$ 32,464	\$ 24,339	\$ 8,125	33.4 %
Annual dues	8,967	8,638	329	3.8 %
Broker fees	19,245	15,457	3,788	24.5 %
Marketing Funds fees	23,269	17,290	5,979	34.6 %
Franchise sales and other revenue	7,052	5,349	1,703	31.8 %
Total revenue	\$ 90,997	\$ 71,073	\$ 19,924	28.0 %

Consolidated revenue increased primarily due to contributions from acquisitions, fewer agent recruiting initiatives in the current year as compared to the prior year and increased Broker fees. RE/MAX continuing franchise fee increases and Motto expansion also contributed to growth, partially offset by continued attrition of booj's legacy customer base.

Continuing Franchise Fees

Revenue from Continuing franchise fees increased primarily due to contributions from the acquisition of INTEGRA, fewer agent recruiting initiatives in the current year as compared to prior year, RE/MAX monthly fee increases and Motto expansion. Beginning April 1, 2021, there was an average price increase of 3.8% in RE/MAX continuing franchise fees in the majority of our U.S. Company-Owned regions.

Broker Fees

Revenue from Broker fees increased primarily due to contributions from the acquisition of INTEGRA and rising home prices, partially offset by lower total transactions per agent as compared to the prior year.

Marketing Funds Fees

Revenue from the Marketing Funds fees increased primarily due to contributions from the acquisition of INTEGRA and fewer agent recruiting initiatives in the current year as compared to the prior year.

Franchise Sales and Other Revenue

Franchise sales and other revenue increased primarily due to incremental revenue from our 2020 acquisitions, partially offset by the attrition of the booj legacy customer base which negatively impacted the three months ended September 30, 2021 by \$0.4 million and is expected to negatively impact the full year 2021 by approximately \$2.0 million, as compared to the prior year.

Operating Expenses

A summary of the components of our operating expenses is as follows (in thousands, except percentages):

	Three Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Operating expenses:				
Selling, operating and administrative expenses	\$ 51,099	\$ 28,216	\$ (22,883)	(81.1)%
Marketing Funds expenses	23,269	17,290	(5,979)	(34.6)%
Depreciation and amortization ⁽¹⁾	8,582	6,730	(1,852)	(27.5)%
Settlement and impairment charges	45,623	7,902	(37,721)	(477.4)%
Total operating expenses	<u>\$ 128,573</u>	<u>\$ 60,138</u>	<u>\$ (68,435)</u>	<u>(113.8)%</u>
Percent of revenue	<u>141.3 %</u>	<u>84.6 %</u>		

(1) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Selling, operating and administrative expenses consists of personnel costs, professional fee expenses, lease costs and other expenses. Other expenses within Selling, operating and administrative expenses include certain marketing and production costs that are not paid by the Marketing Funds, including travel and entertainment costs, and costs associated with our annual conventions in the U.S. and other events and technology services.

	Three Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Selling, operating and administrative expenses:				
Personnel	\$ 30,306	\$ 16,613	\$ (13,693)	(82.4)%
Professional fees	8,848	3,530	(5,318)	(150.7)%
Lease costs	2,137	2,296	159	6.9 %
Other	9,808	5,777	(4,031)	(69.8)%
Total selling, operating and administrative expenses	<u>\$ 51,099</u>	<u>\$ 28,216</u>	<u>\$ (22,883)</u>	<u>(81.1)%</u>
Percent of revenue	<u>56.2 %</u>	<u>39.7 %</u>		

Total Selling, operating and administrative expenses increased as follows:

- Personnel costs increased primarily due to higher equity-based compensation expense, including from recent acquisitions (see Note 11, *Equity-Based Compensation*) and increased headcount largely from acquisitions. Personnel costs were also higher due to costs associated with acquiring and integrating new companies (primarily severance) and the elimination of the corporate bonus and the suspension of the 401(k) match in the prior year.
- Professional fees increased primarily due to an increase in acquisition related expenses, primarily related to advisor, legal, accounting and tax fees from acquiring INTEGRA.
- Other selling, operating and administrative expenses increased primarily due to increased investments in technology, higher travel and events expenses and higher acquisition related expenses, partially offset by lower bad debt expense driven by improved collections.

Marketing Funds Expenses

We recognize an equal and offsetting amount of expenses to revenue such that there is no impact to our overall profitability.

Depreciation and Amortization

Depreciation and amortization expense increased primarily due to new amortization related to our acquisitions and placing internally developed software into service. Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Settlement and Impairment Charges

Loss on Contract Settlement

We recorded a \$40.5 million loss on our contractual relationship with INTEGRA which was settled with the acquisition of INTEGRA. The loss represents the fair value of the difference between the historical contractual rates paid by INTEGRA and the current market rate. The loss is recorded in "Settlement and impairment charges" in the accompanying Condensed Consolidated Statements of Income (Loss). See Note 5, *Acquisitions* for additional information about our acquisition.

Impairment Charge - Goodwill

During the third quarter of 2021, we identified impairment indicators associated with the First reporting unit in the Real Estate segment, primarily lower than expected adoption rates of the technology, resulting in downward revisions to long-term forecasts which is a significant input in the fair value of the reporting unit. Therefore, we performed an interim impairment test as of August 31, 2021 on the goodwill of the First reporting unit and recorded a non-cash impairment charge of \$5.1 million.

Impairment Charge - Leased Assets

During the third quarter of 2020, we began executing on a plan to both refresh our corporate headquarters and sublease space made available through the refresh. As a result, we performed an impairment test on the portion of our headquarters we intend to sublease and recognized an impairment charge of \$7.9 million. See Note 2, *Summary of Significant Accounting Policies* for additional information about our leases.

Other Expenses, Net

A summary of the components of our Other expenses, net is as follows (in thousands, except percentages):

	Three Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Other expenses, net:				
Interest expense	\$ (3,315)	\$ (2,159)	\$ (1,156)	53.5 %
Interest income	19	25	(6)	(24.0)%
Foreign currency transaction gains (losses)	(435)	94	(529)	n/m %
Loss on early extinguishment of debt	(264)	—	(264)	n/m %
Total other expenses, net	\$ (3,995)	\$ (2,040)	\$ (1,955)	95.8 %
Percent of revenue	4.4 %	2.9 %		

n/m - not meaningful

Other expenses, net increased primarily due to an increase in interest expense and loss on extinguishment of debt because of the refinance and increase of our Senior Secured Credit Facility (see Note 8, *Debt*, for more information). Foreign currency transaction gains (losses) are primarily the result of transactions denominated in the Canadian Dollar.

Provision for Income Taxes

Our effective income tax rate decreased to (1.9)% from 23.1% for the three months ended September 30, 2021 and 2020, respectively, primarily driven by the \$40.5 million loss on contract settlement that has no tax provision (see Note 10, *Income Taxes* for additional information). Our effective income tax rate depends on many factors, including a rate benefit attributable to the fact that the portion of RMCO's earnings attributable to the non-controlling interests are not subject to corporate-level taxes because RMCO is classified as a partnership for U.S. federal income tax purposes and therefore is treated as a "flow-through entity," as well as annual changes in state and foreign income tax rates. See Note 3, *Non-controlling Interest* to the accompanying unaudited condensed consolidated financial statements for further details on the allocation of income taxes between Holdings and the non-controlling interest and see Note 10, *Income Taxes* for additional information.

Adjusted EBITDA

See “—Non-GAAP Financial Measures” for our definition of Adjusted EBITDA and for further discussion of our presentation of Adjusted EBITDA as well as a reconciliation of Adjusted EBITDA to net income (loss), which is the most comparable GAAP measure for operating performance.

Adjusted EBITDA was \$35.0 million for the three months ended September 30, 2021, an increase of \$4.6 million from the comparable prior year period. Adjusted EBITDA increased primarily due to contributions from the INTEGRA acquisition, fewer agent recruiting initiatives in the current year and higher Broker fees revenue, partially offset by higher personnel costs due to headcount increases and the elimination of the corporate bonus and the suspension of the 401(k) match in the prior year.

Comparison of the Nine Months Ended September 30, 2021 and 2020

Revenue

A summary of the components of our revenue is as follows (in thousands except percentages):

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Revenue:				
Continuing franchise fees	\$ 84,793	\$ 65,220	\$ 19,573	30.0 %
Annual dues	26,508	26,304	204	0.8 %
Broker fees	48,651	35,327	13,324	37.7 %
Marketing Funds fees	59,456	46,577	12,879	27.7 %
Franchise sales and other revenue	21,130	20,124	1,006	5.0 %
Total revenue	<u>\$ 240,538</u>	<u>\$ 193,552</u>	<u>\$ 46,986</u>	<u>24.3 %</u>

Consolidated revenue increased primarily due to contributions from acquisitions, temporary COVID-19 financial support initiatives introduced in the prior year, and an increase in Broker fees. Fewer agent recruiting initiatives in the current year and Motto expansion also contributed to growth, partially offset by lower event-based revenue and continued attrition of booj's legacy customer base.

Continuing Franchise Fees

Revenue from Continuing franchise fees increased primarily due to temporary COVID-19 financial support initiatives introduced in the prior year, which included a waiver or discount of Continuing franchise fees, contributions from the acquisition of INTEGRA, fewer agent recruiting initiatives in the current year, Motto expansion and RE/MAX monthly fee increases. Beginning April 1, 2021, there was an average price increase of 3.8% in RE/MAX Continuing franchise fees in most of our U.S. Company-Owned regions.

Broker Fees

Revenue from Broker fees increased primarily due to rising home prices, higher total transactions per agent and contributions from the acquisition of INTEGRA.

Marketing Funds fees

Revenue from the Marketing Funds fees increased primarily due to temporary COVID-19 financial support initiatives introduced in the prior year, which included a waiver or discount of Marketing Funds fees, contributions from the acquisition of INTEGRA and fewer agent recruiting initiatives in the current year.

Franchise Sales and Other Revenue

Franchise sales and other revenue increased primarily due to incremental revenue from our 2020 acquisitions, partially offset by lower event-based revenue due to our 2021 annual agent conference having limited in-person attendance due to COVID-19 restrictions and continued attrition of booj's legacy customer base. The attrition of the booj legacy customer base negatively impacted the nine months ended September 30, 2021 by \$1.7 million.

Operating Expenses

A summary of the components of our operating expenses is as follows (in thousands, except percentages):

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Operating expenses:				
Selling, operating and administrative expenses	\$ 133,591	\$ 88,241	\$ (45,350)	(51.4)%
Marketing Funds expenses	59,456	46,577	(12,879)	(27.7)%
Depreciation and amortization ⁽¹⁾	22,236	19,154	(3,082)	(16.1)%
Settlement and impairment charges	45,623	7,902	(37,721)	(477.4)%
Total operating expenses	<u>\$ 260,906</u>	<u>\$ 161,874</u>	<u>\$ (99,032)</u>	<u>(61.2)%</u>
Percent of revenue	<u>108.5 %</u>	<u>83.6 %</u>		

(1) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Selling, operating and administrative expenses consists of personnel costs, professional fee expenses, lease costs and other expenses. Other expenses within Selling, operating and administrative expenses include certain marketing and production costs that are not paid by the Marketing Funds, including travel and entertainment costs, and costs associated with our annual conventions in the U.S. and other events and technology services.

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Selling, operating and administrative expenses:				
Personnel	\$ 81,322	\$ 47,419	\$ (33,903)	(71.5)%
Professional fees	19,719	9,370	(10,349)	(110.4)%
Lease costs	6,258	6,899	641	9.3 %
Other	26,292	24,553	(1,739)	(7.1)%
Total selling, operating and administrative expenses	<u>\$ 133,591</u>	<u>\$ 88,241</u>	<u>\$ (45,350)</u>	<u>(51.4)%</u>
Percent of revenue	<u>55.5 %</u>	<u>45.6 %</u>		

Total Selling, operating and administrative expenses increased as follows:

- Personnel costs increased primarily due to higher equity-based compensation expense, largely from acquisitions in the prior year and including \$5.5 million driven by the acceleration of certain awards (see Note 11, *Equity-Based Compensation*). In addition, increased headcount largely from acquisitions and higher personnel costs due to the elimination of the corporate bonus in the prior year also contributed to the increase.
- Professional fees increased primarily due to an increase in acquisition related expenses, primarily related to advisor, legal, accounting and tax fees from acquiring INTEGRA. Legal fees also increased including fees related to the Moehrl-related suits (See section titled “Legal Proceedings,” set forth in Part II, Item 1 of this Quarterly Report on Form 10-Q).
- Other selling, operating and administrative expenses increased primarily due to increased investments in technology, new costs associated with acquisitions, higher travel and events expenses and acquisition related expenses, partially offset by lower bad debt expense driven by improved collections and lower expenses for our annual agent conference.

Marketing Funds Expenses

We recognize an equal and offsetting amount of expenses to revenue such that there is no impact to our overall profitability.

Depreciation and Amortization

Depreciation and amortization expense increased primarily due to new amortization related to our acquisitions and placing internally developed software into service. Prior year amounts have been adjusted to reflect the immaterial

correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.

Settlement and Impairment Charges

See the discussion of the Results of Operations for the three months ended September 30, 2021 and 2020 for a discussion of the impairment charges.

Other Expenses, Net

A summary of the components of our Other expenses, net is as follows (in thousands, except percentages):

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2021	2020	\$	%
Other expenses, net:				
Interest expense	\$ (7,537)	\$ (7,028)	\$ (509)	7.2 %
Interest income	201	328	(127)	(38.7)%
Foreign currency transaction gains (losses)	(818)	(75)	(743)	n/m %
Loss on early extinguishment of debt	(264)	—	(264)	n/m %
Total other expenses, net	\$ (8,418)	\$ (6,775)	\$ (1,643)	24.3 %
Percent of revenue	3.5 %	3.5 %		

n/m - not meaningful

Other expenses, net increased due to an increase in interest expense and loss on extinguishment of debt because of the refinancing and increase of our Senior Secured Credit Facility (see Note 8, *Debt*, for more information) and lower interest earnings on our cash balances from lower interest rates. Foreign currency transaction gains (losses) are primarily the result of transactions denominated in the Canadian Dollar.

Provision for Income Taxes

Our effective income tax rate decreased to (5.1)% from 26.4% for the nine months ended September 30, 2021 and 2020, respectively, primarily driven by (a) the \$40.5 million loss on contract settlement that has no tax provision and (b) decreases in 2021 related to the settlement of uncertain tax positions (see Note 10, *Income Taxes* for additional information). Our effective income tax rate depends on many factors, including a rate benefit attributable to the fact that the portion of RMCO's earnings attributable to the non-controlling interests are not subject to corporate-level taxes because RMCO is classified as a partnership for U.S. federal income tax purposes and therefore is treated as a "flow-through entity," as well as annual changes in state and foreign income tax rates. See Note 3, *Non-controlling Interest* to the accompanying unaudited condensed consolidated financial statements for further details on the allocation of income taxes between Holdings and the non-controlling interest and see Note 10, *Income Taxes* for additional information.

Adjusted EBITDA

See "—Non-GAAP Financial Measures" for our definition of Adjusted EBITDA and for further discussion of our presentation of Adjusted EBITDA as well as a reconciliation of Adjusted EBITDA to net income (loss), which is the most comparable GAAP measure for operating performance.

Adjusted EBITDA was \$88.6 million for the nine months ended September 30, 2021, an increase of \$19.8 million from the comparable prior year period. Adjusted EBITDA increased primarily due to higher Broker fees revenue, temporary COVID-19 financial support initiatives introduced in the prior year, fewer agent recruiting initiatives in the current year and lower bad debt expense from improved collections and net contributions from acquisitions, partially offset by higher personnel costs due to the elimination of the corporate bonus in the prior year and headcount increases.

Non-GAAP Financial Measures

The Securities and Exchange Commission (“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 Adjusted EBITDA and the ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with U.S. GAAP.

We define Adjusted EBITDA as EBITDA (consolidated net income (loss) before depreciation and amortization, interest expense, interest income and the provision for income taxes, each of which is presented in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), adjusted for the impact of the following items that are either non-cash or that we do not consider representative of our ongoing operating performance: gain or loss on sale or disposition of assets, settlement and impairment charges, equity-based compensation expense, acquisition-related expense, gain or losses from changes in the tax receivable agreement liability, expense or income related to changes in the estimated fair value measurement of contingent consideration and other non-recurring items.

As Adjusted EBITDA omits certain non-cash items and other non-recurring cash charges or other items, we believe that it is less susceptible to variances that affect our operating performance resulting from depreciation, amortization and other non-cash and non-recurring cash charges or other items. We present Adjusted EBITDA, and the related Adjusted EBITDA margin, because we believe they are useful as supplemental measures in evaluating the performance of our operating businesses and provides greater transparency into our results of operations. Our management uses Adjusted EBITDA and Adjusted EBITDA margin as factors in evaluating the performance of our business.

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

- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- these measures do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- these measures do not reflect the cash requirements to pay dividends to stockholders of our Class A common stock and tax and other cash distributions to our non-controlling unitholders;
- these measures do not reflect the cash requirements pursuant to the Tax Receivable Agreements (“TRAs”);
- 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.

A reconciliation of Adjusted EBITDA to net income (loss) is set forth in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) ⁽¹⁾	\$ (42,363)	\$ 6,838	\$ (30,240)	\$ 18,319
Depreciation and amortization ⁽¹⁾	8,582	6,730	22,236	19,154
Interest expense	3,315	2,159	7,537	7,028
Interest income	(19)	(25)	(201)	(328)
Provision for income taxes	792	2,057	1,454	6,584
EBITDA	(29,693)	17,759	786	50,757
(Gain) loss on sale or disposition of assets	—	(11)	(10)	(33)
Loss on contract settlement ⁽²⁾	40,500	—	40,500	—
Loss on extinguishment of debt ⁽³⁾	264	—	264	—
Impairment charge - leased assets ⁽⁴⁾	—	7,902	—	7,902
Impairment charge - goodwill ⁽⁵⁾	5,123	—	5,123	—
Equity-based compensation expense	9,008	3,414	27,315	8,347
Acquisition-related expense ⁽⁶⁾	9,432	1,021	14,303	1,915
Fair value adjustments to contingent consideration ⁽⁷⁾	320	250	330	(105)
Adjusted EBITDA	\$ 34,954	\$ 30,335	\$ 88,611	\$ 68,783

- (1) Prior year amounts have been adjusted to reflect the immaterial correction of amortization for certain acquired Independent Regions. See Note 13, *Immaterial Corrections to Prior Period Financial Statements* for additional information.
- (2) Represents the effective settlement of the pre-existing master franchise agreement with INTEGRA that was recognized with the acquisition. See Note 5, *Acquisitions* for additional information.
- (3) The loss was recognized in connection with the amended and restated Senior Secured Credit Facility. See Note 8, *Debt* for additional information.
- (4) Represents the impairment recognized on a portion of the Company's corporate headquarters office building in the prior year. See Note 2, *Summary of Significant Accounting Policies* for additional information.
- (5) Lower than expected adoption rates of the First technology resulted in downward revisions to long-term forecasts, resulting in an impairment charge to the First reporting unit goodwill. See Note 6, *Intangible Assets and Goodwill* for additional information.
- (6) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with the evaluation, due diligence, execution and integration of acquisitions.
- (7) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities. See Note 9, *Fair Value Measurements* to the accompanying unaudited condensed consolidated financial statements for additional information.

Liquidity and Capital Resources

Overview of Factors Affecting Our Liquidity

Our liquidity position is affected by the growth of our agent base and conditions in the real estate market. In this regard, our short-term liquidity position from time to time has been, and will continue to be, affected by several factors including agents in the RE/MAX network, particularly in Company-Owned Regions. Our cash flows are primarily related to the timing of:

- (i) cash receipt of revenues;
- (ii) payment of selling, operating and administrative expenses;
- (iii) investments in technology and Motto;
- (iv) cash consideration for acquisitions and acquisition-related expenses;
- (v) principal payments and related interest payments on our Senior Secured Credit Facility;
- (vi) dividend payments to stockholders of our Class A common stock;
- (vii) distributions and other payments to non-controlling unitholders pursuant to the terms of RMCO's limited liability company operating agreement ("the RMCO, LLC Agreement");

- (viii) corporate tax payments paid by the Company; and
- (ix) payments to the TRA parties pursuant to the TRAs.

We have satisfied these needs primarily through our existing cash balances, cash generated by our operations and funds available under our Senior Secured Credit Facility. We may also utilize our Senior Secured Credit Facility, and we may pursue other sources of capital that may include other forms of external financing, such as additional financing in the public capital markets, in order to increase our cash position and preserve financial flexibility as needs arise.

Financing Resources

RMCO and RE/MAX, LLC, a wholly owned subsidiary of RMCO, have a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and various lenders party thereto (the "Senior Secured Credit Facility"). On July 21, 2021, we amended and restated our Senior Secured Credit Facility to fund the acquisition of INTEGRA and refinance our existing facility. The revised facility provides for a seven-year \$460.0 million term loan facility and a five-year \$50.0 million revolving loan facility. The revised facility also provides for incremental facilities under which RE/MAX, LLC may request to add one or more tranches of term facilities or increase any then existing credit facility in the aggregate principal amount of up to \$100 million (or a higher amount subject to the terms and conditions of the Senior Secured Credit Facility), subject to lender participation.

The Senior Secured Credit Facility requires RE/MAX, LLC to repay term loans at \$1.2 million per quarter. We are also required to repay the term loans and reduce revolving commitments with (i) 100.0% of proceeds of any incurrence of additional debt not permitted by the Senior Secured Credit Facility, (ii) 100.0% of proceeds of asset sales and 100.0% of amounts recovered under insurance policies, subject to certain exceptions and a reinvestment right and (iii) 50% of Excess Cash Flow (or "ECF" as defined in the Senior Secured Credit Facility) at the end of the applicable fiscal year if RE/MAX, LLC's Total Leverage Ratio (or "TLR" as defined in the Senior Secured Credit Facility) is in excess of 4.25:1. If the TLR as of the last day of such fiscal year is equal to or less than 4.25:1 but above 3.75:1, the repayment percentage is 25% of ECF and if the TLR as of the last day of such fiscal year is less than 3.75:1, no repayment from ECF is required.

The Senior Secured Credit Facility is guaranteed by RMCO and is secured by a lien on substantially all of the assets of RE/MAX, LLC and other operating companies.

The Senior Secured Credit Facility provides for customary restrictions on, among other things, additional indebtedness, liens, dispositions of property, dividends, transactions with affiliates and fundamental changes such as mergers, consolidations and liquidations. With certain exceptions, any default under any of our other agreements evidencing indebtedness in the amount of \$15.0 million or more constitutes an event of default under the Senior Secured Credit Facility.

Borrowings under the term loans and revolving loans accrue interest, at our option on (a) LIBOR, provided LIBOR shall be no less than 0.50% plus an applicable margin of 2.50% and, provided further that such rate shall be adjusted for reserve requirements for eurocurrency liabilities, if any (the "LIBOR Rate") or (b) the greatest of (i) the prime rate as quoted by the Wall Street Journal, (ii) the NYFRB Rate (as defined in the Senior Secured Credit Facility) plus 0.50% and (iii) the one-month Eurodollar Rate plus 1.00%, (such greatest rate, the "ABR") plus, in each case, an applicable margin of 1.50%. As of September 30, 2021, the interest rate on the term loan facility was 3.0%.

A commitment fee of 0.5% per annum (subject to reductions) accrues on the amount of unutilized revolving line of credit.

As of September 30, 2021, we had \$453.0 million of term loans outstanding, net of an unamortized discount and issuance costs, and no revolving loans outstanding under our Senior Secured Credit Facility.

Sources and Uses of Cash

As of September 30, 2021 and December 31, 2020, we had \$119.4 million and \$101.4 million, respectively, of cash and cash equivalents, of which approximately \$6.0 million and \$4.2 million, respectively, were denominated in foreign currencies.

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The following table summarizes our cash flows from operating, investing, and financing activities (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Cash provided by (used in):		
Operating activities	\$ 16,644	\$ 43,471
Investing activities	(192,471)	(15,202)
Financing activities	199,142	(27,070)
Effect of exchange rate changes on cash	54	(30)
Net change in cash, cash equivalents and restricted cash	<u>\$ 23,369</u>	<u>\$ 1,169</u>

Operating Activities

Cash provided by operating activities decreased primarily as a result of:

- a decrease due to the loss on contract settlements of \$40.5 million;
- an increase in Adjusted EBITDA of \$19.8 million;
- a decrease due to higher tax payments of \$7.5 million, primarily related to settlement of uncertain tax positions;
- a decrease due to higher acquisition related costs, which are excluded from Adjusted EBITDA; and
- timing differences on various operating assets and liabilities.

Investing Activities

During the nine months ended September 30, 2021 the change in cash (used in) provided by investing activities was primarily the result of the INTEGRA acquisition and work completed on our corporate headquarters refresh and higher capitalizable investments in technology as compared to the prior year.

Financing Activities

During the nine months ended September 30, 2021 the change in cash provided by (used in) financing activities was primarily due to net cash received from the increase in our term loan, partially offset by an increase in payments related to tax withholding for vested share-based compensation.

Capital Allocation Priorities

Liquidity

Our objective is to maintain a strong liquidity position. We have existing cash balances, cash flows from operating activities, access to our revolving facility and incremental facilities under our Senior Secured Credit Facility available to support the needs of our business. As needs arise, we may seek additional financing in the public capital markets.

Acquisitions

As part of our growth strategy, we may pursue acquisitions of Independent Regions in the U.S. and Canada as well as additional acquisitions or investments in complementary businesses, services and technologies that would provide access to new markets, revenue streams, or otherwise complement our existing operations. We may fund any such growth with various sources of capital including existing cash balances and cash flow from operations, as well as proceeds from debt financings including under existing credit facilities or new arrangements raised in the public capital markets.

Capital Expenditures

The total aggregate amount for purchases of property and equipment and capitalization of developed software was \$12.1 million and \$4.6 million during the nine months ended September 30, 2021 and 2020, respectively. These amounts primarily relate to spend on our corporate headquarters refresh and investments in technology. In order to expand our technology, we plan to continue to re-invest in our business in order to improve operational efficiencies and enhance the tools and services provided to the affiliates in our networks. Total capital expenditures for 2021 are expected to be between \$15 million and \$17 million as we continue with the corporate headquarters refresh and higher capitalizable investments. See Financial and Operational Highlights above for additional information.

Return of Capital

Return of capital to shareholders is one of our primary capital allocation priorities. Our Board of Directors declared and we paid quarterly cash dividends of \$0.23 per share on all outstanding shares of Class A common stock during the first three quarters of 2021. On November 3, 2021, our Board of Directors declared a quarterly cash dividend of \$0.23 per share on all outstanding shares of Class A common stock, which is payable on December 1, 2021 to stockholders of record at the close of business on November 17, 2021. Future capital allocation decisions with respect to return of capital either in the form of additional future dividends, and, if declared, the amount of any such future dividend, or potentially in the form of share buybacks, will be subject to our actual future earnings and capital requirements and any amounts authorized will be at the discretion of our Board of Directors.

Distributions and Other Payments to Non-controlling Unitholders by RMCO

Distributions and other payments pursuant to the RMCO, LLC Agreement and TRAs were comprised of the following (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Distributions and other payments pursuant to the RMCO, LLC Agreement:		
Pro rata distributions to RIHI as a result of distributions to RE/MAX Holdings in order to satisfy its estimated tax liabilities	\$ 2,113	\$ 2,277
Dividend distributions	8,667	8,289
Total distributions to RIHI	10,780	10,566
Payments pursuant to the TRAs	—	—
Total distributions to RIHI and TRA payments	\$ 10,780	\$ 10,566

Commitments and Contingencies

See Note 12, *Commitments and Contingencies* to the accompanying unaudited condensed consolidated financial statements for additional information.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of September 30, 2021.

Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. Our Critical Accounting Judgments and Estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments and Estimates" in our 2020 Amendment No. 1 to Annual Report on Form 10-K/A for which there were no material changes, included:

- Motto Goodwill
- First Goodwill
- Purchase Accounting for Acquisitions
- Deferred Tax Assets and TRA Liability
- General Litigation Matters

New Accounting Pronouncements

There have been no new accounting pronouncements not yet effective that we believe have a significant impact, or potential significant impact, to our consolidated financial statements. See Note 2, *Summary of Significant Accounting Policies* to the accompanying unaudited condensed consolidated financial statements for additional information.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

We have operations both within the U.S. and globally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and credit risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. We use derivative instruments to mitigate the impact of certain of our market risk exposures. We do not use derivatives for trading or speculative purposes.

Credit Risk

We are exposed to credit risk related to receivables from franchisees. We perform quarterly reviews of credit exposure above an established threshold for each franchisee and are in regular communication with those franchisees about their balance. For significant delinquencies, we will terminate the franchise. Bad debt expense is less than 1% of revenue for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021.

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our Senior Secured Credit Facility which bear interest at variable rates. At September 30, 2021, \$458.9 million in term loans were outstanding under our Senior Secured Credit Facility. We currently do not engage in any interest rate hedging activity, but given our variable rate borrowings, we monitor interest rates and if appropriate, may engage in hedging activity prospectively. The interest rate on our Senior Secured Credit Facility is currently based on LIBOR, subject to a floor of 0.50%, plus an applicable margin of 2.50%. As of September 30, 2021, the interest rate was 3.0%. If LIBOR rises such that our rate is above the floor, then each hypothetical 0.25% increase would result in additional annual interest expense of \$1.1 million. To mitigate a portion of this risk, we invest our cash balances in short-term investments that earn interest at variable rates.

Currency Risk

We have a network of global franchisees in over 110 countries and territories. Fluctuations in exchange rates of the U.S. dollar against foreign currencies can result, and have resulted, in fluctuations in (a) revenue and operating income due to a portion of our revenue being denominated in foreign currencies and (b) foreign exchange transaction gains and losses due primarily to cash, accounts receivable and liability balances denominated in foreign currencies, with the Canadian dollar representing the most significant exposure. To mitigate a portion of this risk related to (b), we enter into short-term foreign currency contracts, such as forwards, to minimize exposures related to foreign currency. See Note 2, *Summary of Significant Accounting Policies*, for more information. In addition, we actively convert cash balances into U.S. dollars to mitigate currency risk on cash positions.

During the three and nine months ended September 30, 2021, a hypothetical 5% strengthening/weakening in the value of the U.S. dollar compared to the Canadian dollar would have resulted in a decrease/increase to operating income of approximately \$0.3 million and \$0.9 million, respectively, related to currency risk (a) above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that as of September 30, 2021

our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting described below.

Notwithstanding the material weakness, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. GAAP.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in our Annual Report on Form 10K/A, management has determined that we had ineffective controls regarding a failure to consult with appropriate internal subject matter experts when evaluating the market value for re-acquired franchise rights in acquisitions of previous Independent Regions beginning in 2007, as well as ineffective controls over the review of certain inputs used in the valuation of intangible assets. These ineffective controls were due to an ineffective risk assessment process to sufficiently identify and assess all financial reporting risks related to purchase accounting for acquisitions of previous Independent Regions and resulted in errors in purchase accounting for certain of the acquisitions. These errors resulted in immaterial misstatements to our consolidated financial statements for the periods presented that were corrected in prior periods as discussed in Note 13, *Immaterial Corrections to Prior Period Financial Statements*.

These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis, and, therefore, management has concluded that the control deficiencies represent a material weakness in, our internal control over financial reporting and our internal control of financial reporting was not effective as of September 30, 2021.

To remediate the material weakness in internal control over financial reporting, we will augment our risk assessment process related to accounting for acquisitions and implement additional controls in connection with the acquisition of Independent Regions. These additional controls will then be tested in order to validate that the material weakness has been remediated.

Changes in Internal Control over Financial Reporting

Except as related to the material weakness described above, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our third fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in litigation, claims and other proceedings relating to the conduct of our business, and the disclosures set forth in Note 12, *Commitments and Contingencies* relating to certain legal matters is incorporated herein by reference. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, brokerage disputes, vicarious liability based upon conduct of individuals or entities outside of our control including franchisees and independent agents, and employment law claims. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant time and resources from management. Although we do not believe any currently pending litigation will have a material adverse effect on our business, financial condition or operations, there are inherent uncertainties in litigation and other claims and regulatory proceedings and such pending matters could result in unexpected expenses and liabilities and might materially adversely affect our business, financial condition or operations, including our reputation.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see “Risk Factors” in our 2020 Amendment No. 1 to Annual Report on Form 10-K/A, as updated by our 2021 second quarter Form 10-Q. There have been no material changes to the risk factors as disclosed in our 2020 Annual Report, as updated by our 2021 second quarter Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
2.1	Stock Purchase Agreement, dated June 3, 2021, by and among A La Carte U.S., LLC, A La Carte Investments Canada, Inc., RE/MAX, LLC, Brodero Holdings, Inc., and Fire-Ball Holdings Corporation, Ltd.	8-K	001-36101	6/3/2021	2.1	
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-36101	11/14/2013	3.1	
3.2	Amended and Restated Bylaws of RE/MAX Holdings, Inc.	8-K	001-36101	2/22/2018	3.1	
4.1	Form of RE/MAX Holdings, Inc.'s Class A common stock certificate.	S-1	333-190699	9/27/2013	4.1	
10.1	Second Amended and Restated Credit Agreement, dated as of July 21, 2021, by and among RMCO, LLC, RE/MAX, LLC, the several lenders from time to time parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent. (Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplemental copies of any omitted exhibits and schedules upon request by the SEC.)	8-K	001-36101	7/21/2021	10.1	
10.2	Form of Time-Based Restricted Stock Unit Award †					X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X

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Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File – The cover page XBRL tags are embedded within the Inline XBRL document.					X

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RE/MAX Holdings, Inc.
(Registrant)

Date: December 21, 2021

By: /s/ Adam M. Contos
Adam M. Contos
Director and Chief Executive Officer
(Principal Executive Officer)

Date: December 21, 2021

By: /s/ Karri R. Callahan
Karri R. Callahan
Chief Financial Officer
(Principal Financial Officer)

Date: December 21, 2021

By: /s/ Brett A. Ritchie
Brett A. Ritchie
Chief Accounting Officer
(Principal Accounting Officer)

RE/MAX HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee's Name:

You (the "Grantee") have been granted an award of Restricted Stock Units (the "Award"), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the "Notice"), the RE/MAX Holdings, Inc. 2013 Omnibus Incentive Plan, as amended from time to time (the "Plan") and the Restricted Stock Unit Agreement (the "Agreement") attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number:

Date of Award:

Total Number of Restricted Stock Units Awarded (the "Units"):

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Agreement and the Plan, the Units will "vest" in accordance with the following schedule (the "Vesting Schedule"):

[]

In the event of a Corporate Transaction or a Change in Control in connection with which the Award is not assumed or converted into an equivalent award by the acquiring or successor entity (or a Parent thereof), the Units, to the extent outstanding and unvested, shall automatically become fully vested immediately prior to the effective date of such Corporate Transaction or Change in Control.

In the event of a Corporate Transaction or a Change in Control in connection with which the Award is assumed or converted into an equivalent award by the acquiring or successor entity (or a Parent thereof), if the Grantee's Continuous Service is terminated by such entity (or an Affiliate thereof) without Cause during the 24-month period following such Corporate Transaction or Change in Control, the assumed or converted award shall automatically become fully vested on the day of such termination. For this purpose, "Cause" means, with respect to the termination by such entity (or an Affiliate thereof) of the Grantee's Continuous Service, that such termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and such entity (or an Affiliate thereof), or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's: (i) performance of any act or failure to perform any act in bad faith and to the detriment of such entity (or an Affiliate thereof); (ii) dishonesty, intentional misconduct or material breach of any agreement with such entity (or an Affiliate thereof); or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

In the event of the Grantee's change in status from Employee to Consultant or Director, the determination of whether such change in status results in a termination of Continuous Service will be determined in accordance with Section 409A of the Code.

For purposes of this Notice and the Agreement, the term “vest” shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

Except as otherwise provided above, vesting shall cease upon the date the Grantee terminates Continuous Service for any reason, excluding death or Disability. In the event the Grantee terminates Continuous Service for any reason, excluding death or Disability, any unvested Units held by the Grantee immediately upon such termination of the Grantee’s Continuous Service shall be forfeited and deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of such reconveyed Units and shall have all rights and interest in or related thereto without further action by the Grantee.

If the Grantee’s Continuous Service terminates due to the Grantee’s death or Disability, all unvested Units shall immediately become vested as of the date of such termination of Continuous Service.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

RE/MAX Holdings, Inc.,
a Delaware corporation

By: _____
[Name]
[Title]
[Date]

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE’S CONTINUOUS SERVICE OR AS OTHERWISE SPECIFICALLY PROVIDED HEREIN (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE’S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE’S RIGHT OR THE COMPANY’S RIGHT TO TERMINATE THE GRANTEE’S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE’S STATUS IS AT WILL.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan. The Grantee further agrees and acknowledges that this Award is a non-elective arrangement pursuant to Section 409A of the Code.

The Grantee further acknowledges that, from time to time, the Company may be in a “blackout period” and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company’s Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee’s responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

The Grantee understands that the Award is subject to the Grantee’s consent to access this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the “Plan Documents”) in electronic form on the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable. By signing below (or providing an electronic signature by clicking below) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of the Plan Documents via the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (ii) represents that the Grantee has access to the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

If Grantee does not sign this grant within 90 days of the Award Date, the Award shall be deemed rejected by the Grantee and Grantee shall have no right to the Award or the Units.

The Company may, in its sole discretion, decide to deliver any Plan Documents by electronic means or request the Grantee’s consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan and the Agreement shall be resolved by the Administrator in accordance with Section 8 of the Agreement. The Grantee further agrees to the venue and jurisdiction selection in accordance with Section 9 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Name:
Award Number:

RE/MAX HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. Issuance of Units. RE/MAX Holdings, Inc., a Delaware corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”) an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the Company’s 2013 Omnibus Incentive Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. Transfer Restrictions. The Units may not be transferred in any manner other than by will or by the laws of descent and distribution.

3. Conversion of Units and Issuance of Shares.

(a) General. Subject to Section 3(b), one share of Common Stock shall be issuable for each Unit subject to the Award (the “Shares”) upon vesting. Immediately thereafter, or as soon as administratively feasible, the Company will transfer the appropriate number of Shares to the Grantee, subject to satisfaction of any required tax or other withholding obligations. Any fractional Unit remaining after the Award is fully vested shall be discarded and shall not be converted into a fractional Share. Notwithstanding the foregoing, the relevant number of Shares shall be issued no later than sixty (60) days following the date the Unit vests.

(b) Delay of Issuance of Shares. The Company shall delay the issuance of any Shares under this Section 3 to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “specified employees” of certain publicly-traded companies); in such event, any Shares to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issuable on the first business day following the expiration of such six (6) month period.

4. Right to Shares and Dividends; Dividend Equivalents. The Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Shares) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee, except that Dividend Equivalents shall be earned with respect to Units that vest. The amount of Dividend Equivalents earned with respect to each such Unit that vests shall be equal to the total ordinary cash dividends, if any, declared on a Share where the record date of the dividend is between the Grant Date of this Award and the date a Share is issued upon vesting of the Unit. Any Dividend Equivalents earned shall be paid in cash to the Grantee when the Shares subject to the vested Units to which they relate are issued. No Dividend Equivalents shall be earned or paid with respect to any Units that do not vest. Dividend Equivalents shall not accrue interest.

5. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity

takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the Award, including the grant, vesting, assignment, release or cancellation of the Units, the delivery of Shares, the subsequent sale of any Shares acquired upon vesting and the receipt of any dividends or dividend equivalents. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting or issuance of Shares) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any social insurance, employment tax, payment on account or other tax-related obligation (the "Tax Withholding Obligation"), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(i) By Share Withholding. If permissible under Applicable Law, the Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(ii) By Sale of Shares. The Grantee's acceptance of this Award constitutes the Grantee's authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to, upon the exercise of Company's sole discretion, sell on the Grantee's behalf a whole number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the minimum applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. The Grantee will be responsible for all broker's fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee's minimum Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus and severance payments) payable to the Grantee by the Company and/or a Related Entity. Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the Award, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

6. Entire Agreement; Governing Law. The Notice, the Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed

by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of Colorado without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Colorado to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

7. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

8. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

9. Venue and Jurisdiction. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought exclusively in the United States District Court for Colorado (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Colorado state court) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 9 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

11. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. Notwithstanding anything in this Agreement or the Plan to the contrary, to the extent the Award is determined to be subject to Section 409A of the Code and Shares will be issued pursuant to the Award on account of such Change in Control or Corporate Transaction, neither a Change in Control nor a Corporate Transaction shall be deemed to have occurred for purposes of this Award unless such Change in Control or Corporate Transaction also constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, as those terms are used in Section 409A of the Code. In addition, the Company makes no representation that the Award will comply with Section 409A of the Code and makes no undertaking to prevent Section 409A of the Code from applying to the Award or to

mitigate its effects on any deferrals or payments made in respect of the Units. The Grantee is encouraged to consult a tax adviser regarding the potential impact of Section 409A of the Code.

END OF AGREEMENT

Certification

I, Adam M. Contos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RE/MAX Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2021

/s/ Adam M. Contos

Adam M. Contos
Director and Chief Executive Officer
(Principal Executive Officer)

Certification

I, Karri R. Callahan certify that:

1. I have reviewed this quarterly report on Form 10-Q of RE/MAX Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2021

/s/ Karri R. Callahan
Karri R. Callahan
Chief Financial Officer
(Principal Financial Officer)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of RE/MAX Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of September 30, 2021 and December 31, 2020, and for the three and nine months ended September 30, 2021 and 2020.

Date: December 21, 2021

/s/ Adam M. Contos

Adam M. Contos
Director and Chief Executive Officer
(Principal Executive Officer)

Date: December 21, 2021

/s/ Karri R. Callahan

Karri R. Callahan
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.
