



RE/MAX Holdings, Inc.
Fourth Quarter & FY 2022 Earnings
February 17, 2023

Forward-Looking Statements

This presentation includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as “believe,” “intend,” “expect,” “estimate,” “plan,” “outlook,” “project,” “anticipate,” “may,” “will,” “would” and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to agent count; franchise sales; revenue; operating expenses; the Company’s outlook for the first quarter and full year 2023; non-GAAP financial measures; housing and mortgage market conditions; growth; investments, and return of capital to shareholders. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily accurately indicate the times at which such performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. These risks and uncertainties include, without limitation, (1) the global COVID-19 pandemic, which continues to pose significant and widespread risks and ongoing uncertainty for the Company’s business, including the Company’s agents, loan originators, franchisees and employees, as well as home buyers and sellers, (2) changes in the real estate market or interest rates and availability of financing, (3) changes in business and economic activity in general, (4) the Company’s ability to attract and retain quality franchisees, (5) the Company’s franchisees’ ability to recruit and retain real estate agents and mortgage loan originators, (6) changes in laws and regulations, (7) the Company’s ability to enhance, market, and protect its brands, including the RE/MAX and Motto Mortgage brands, (8) the Company’s ability to implement its technology initiatives, (9) risks related to the Company’s CEO transition, (10) fluctuations in foreign currency exchange rates, and (11) those risks and uncertainties described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (“SEC”) and similar disclosures in subsequent periodic and current reports filed with the SEC, which are available on the investor relations page of the Company’s website at www.remaxholdings.com and on the SEC website at www.sec.gov. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Except as required by law, the Company does not intend, and undertakes no obligation, to update this information to reflect future events or circumstances.

Q4 2022 Highlights

Total Revenue of \$81.3 Million, Adjusted EBITDA of \$26.5 Million

Q4 2022 Operating Highlights

- Total agent count grew 2,016 agents, or 1.4%, YoY to 144,014 agents
- Agent count in the U.S. and Canada combined decreased 1.9% to 83,839 agents
- Motto open offices increased 23.5% YoY to 231 offices¹
- Share repurchases accelerated over prior quarter: 538,552 Class A shares were repurchased²

Comparisons represent Q4 2022 versus Q4 2021 unless otherwise noted

Q4 2022 Financial Highlights

- Revenue of \$81.3 million, down 8.9%
- Negative organic revenue growth³ of 9.1%
- Adjusted EBITDA⁴ of \$26.5 million
- Adjusted EBITDA Margin⁴ of 32.7%
- Adjusted Diluted EPS⁴ of \$0.41

Comparisons represent Q4 2022 versus Q4 2021 unless otherwise noted



¹Total open Motto Mortgage franchises includes only “bricks and mortar” offices with a unique physical address with rights granted by a full franchise agreement with Motto Franchising, LLC and excludes any “virtual” offices or BranchisesSM offices.

²During the three months ended December 31, 2022, 538,552 shares were repurchased and retired for \$10.3 million excluding commissions, at a weighted average cost of \$19.14 per share.

³Organic revenue growth is for Revenue excluding the Marketing Funds, which is a non-GAAP measure of financial performance that differs from the U.S. Generally Accepted Accounting Principles. See the Appendix for the definition and reconciliation to the most directly comparable U.S. GAAP measure. The Company defines organic revenue growth as revenue growth from continuing operations excluding (i) Marketing Funds, (ii) revenue from acquisitions, and (iii) the impact of foreign-currency movements. The Company defines revenue from acquisitions as the revenue generated from the date of an acquisition to its first anniversary (excluding Marketing Funds revenue related to acquisitions where applicable).

⁴Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Basic and Diluted EPS are non-GAAP measures and exclude all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.

50 Years and Still Going Strong



RE/MAX Competitive Advantages

- Unique “agent-centric” model
- Most-productive agents of any national brand¹
- #1 global market share²
- Unmatched global footprint³
- #1 name in real estate⁴

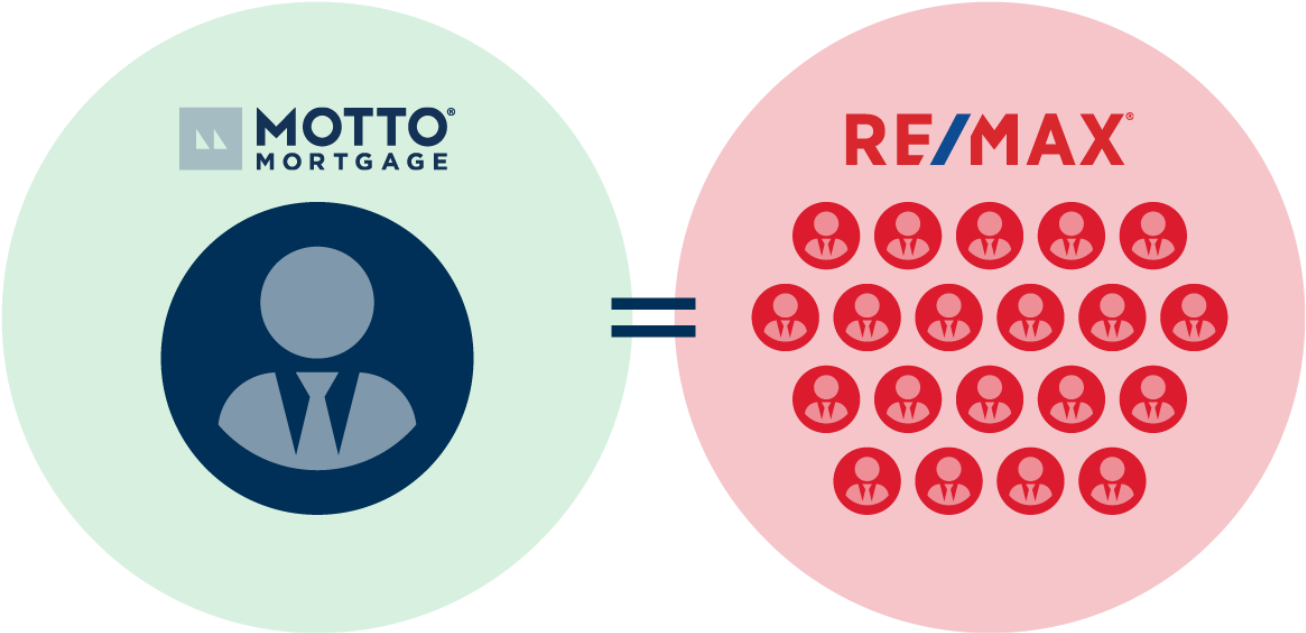
¹Transaction sides per agent calculated by RE/MAX based on 2022 REAL Trends 500 data, citing 2021 transaction sides for the 1,733 largest participating U.S. brokerages. RE/MAX average: 16.5. Competitors: 7.6.

²Based on residential real estate transaction sides

³RE/MAX has a presence in more than 110 countries and territories

⁴According to MMR Strategy Group study of unaided brand awareness

Motto Is a Compelling Growth Opportunity



Each Motto office that has been open for more than one year brings in approximately the same amount of annual revenue as a 20-agent RE/MAX office in a Company-owned region.



2022
Marks Best Year for
Motto
**OPEN
OFFICES**

Revenue

Total Revenue down 8.9%, Negative Organic Revenue growth of 9.1%

Revenue (\$M)	Quarter to Date				Year to Date			
	2022	2021	Increase/(Decrease)		2022	2021	Increase/(Decrease)	
			\$	%			\$	%
Continuing franchise fees	\$32.5	\$33.7	(\$1.3)	(3.7%)	\$133.4	\$118.5	\$14.9	12.6%
Annual dues	\$8.8	\$9.0	(\$0.2)	(2.3%)	\$35.7	\$35.5	\$0.1	0.4%
Broker fees	\$11.9	\$16.8	(\$4.9)	(28.9%)	\$62.9	\$65.5	(\$2.5)	(3.8%)
Marketing Funds fees	\$21.8	\$22.9	(\$1.1)	(4.8%)	\$90.3	\$82.4	\$7.9	9.6%
Franchise sales and other revenue	\$6.2	\$6.7	(\$0.4)	(6.7%)	\$31.1	\$27.8	\$3.3	11.7%
Total Revenue	\$81.3	\$89.2	(\$7.9)	(8.9%)	\$353.4	\$329.7	\$23.7	7.2%

For Q4 2022:

- RE/MAX Holdings generated revenue of \$81.3 million in the fourth quarter of 2022, a decrease of \$7.9 million, or 8.9%, compared to \$89.2 million in the fourth quarter of 2021. Revenue excluding the Marketing Funds¹ was \$59.4 million in the fourth quarter of 2022, a decrease of \$6.8 million, or 10.2%, versus the same period in 2021. This decrease was attributable to negative organic revenue growth² of 9.1% and adverse foreign-currency movements of 1.1%. Organic growth decreased primarily due to lower broker fee revenue, a reduction in U.S. agent count, and an increase in recruiting incentives, partially offset by Motto growth and Canadian RE/MAX agent count growth. Rising interest rates adversely impacted affordability and weakened housing demand resulting in fewer transactions and, by extension, lower broker fee revenue
- Recurring revenue³ streams, which consist of continuing franchise fees and annual dues, decreased \$1.5 million, or 3.4%, compared to the fourth quarter of 2021 and accounted for 69.4% of Revenue excluding the Marketing Funds in the fourth quarter of 2022 compared to 64.6% of Revenue excluding the Marketing Funds in the prior-year period.



¹Revenue excluding the Marketing Funds is a non-GAAP measure of financial performance that differs from the U.S. Generally Accepted Accounting Principles. See the Appendix for the definition and reconciliation to the most directly comparable U.S. GAAP measure.

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

³Recurring revenue is comprised of Continuing franchise fees and Annual dues.

Selling, Operating and Administrative Expenses

Total Selling, Operating and Administrative expenses down 24.5%

Selling, Operating & Administrative Expenses (\$M)	Quarter to Date				Year to Date			
	2022	2021	Increase/(Decrease)		2022	2021	Increase/(Decrease)	
			\$	%			\$	%
Personnel	\$21.1	\$29.4	(\$8.4)	(28.4%)	\$102.0	\$110.7	(\$8.8)	(7.9%)
Professional fees	\$3.7	\$5.3	(\$1.6)	(30.4%)	\$17.3	\$25.0	(\$7.7)	(30.7%)
Lease costs	\$2.0	\$2.2	(\$0.2)	(10.1%)	\$8.3	\$8.4	(\$0.1)	(1.3%)
Other	\$8.3	\$9.4	(\$1.1)	(12.0%)	\$45.6	\$35.7	\$9.9	27.8%
Total	\$35.0	\$46.3	(\$11.3)	(24.5%)	\$173.3	\$179.9	(\$6.6)	(3.7%)

For Q4 2022:

- Selling, operating and administrative expenses were \$35.0 million in the fourth quarter of 2022, a decrease of \$11.3 million, or 24.5%, compared to the fourth quarter of 2021 and represented 58.8% of Revenue excluding the Marketing Funds¹, compared to 69.9% in the prior-year period.
- Fourth quarter 2022 selling, operating and administrative expenses decreased primarily due to lower personnel expenses – mainly decreased equity-based compensation, lower bonus expense and reduced headcount – and lower acquisition-related expenses. The Company substantially completed a restructuring, principally focused on its RE/MAX technology efforts, during the third quarter of 2022.

Looking Ahead – Q1 2023 and FY 2023 Outlook

Focused on Growing our Business, our Brands, and our Networks

Q1 2023 Outlook¹

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

- Agent count to increase 0.0% to 1.0% over first quarter 2022;
- Revenue in a range of \$82.0 million to \$87.0 million (including revenue from the Marketing Funds in a range of \$20.5 million to \$22.5 million); and
- Adjusted EBITDA in a range of \$18.5 million to \$21.5 million.

Full Year 2023 Outlook¹

For the Full Year 2023, the Company expects:

- Agent count to change -1.0% to 1.0% over full year 2022;
- Revenue in a range of \$315.0 million to \$335.0 million (including revenue from the Marketing Funds in a range of \$83.5 million to \$87.5 million); and
- Adjusted EBITDA in a range of \$95.0 million to \$105.0 million.

RE/MAX Holdings, Inc.

A Leading Dual-Brand Franchisor with Compelling Growth Opportunities



#1 Name in Real Estate¹ (US/Canada) and Unmatched Global Footprint²



Highly Productive Network of More Than 140,000 Agents



Agent-Centric Model is Different and Better



Rapidly Expanding Network of Offices with Almost \$2.8 Billion in 2022 Annual Loan Volume



First-and-Only National Mortgage Brokerage Franchise in U.S.



Among Top Recession-Proof and Best of the Best Franchises³

RMAX: Recurring Revenue, High Margins & Strong Free Cash Flow

¹Source: MMR Strategy Group Study of unaided brand awareness

²RE/MAX has a presence in more than 110 countries and territories

³For more information on Motto awards please see www.mottomortgage.com/awards-disclaimers

THANK YOU

RE/MAX[®]

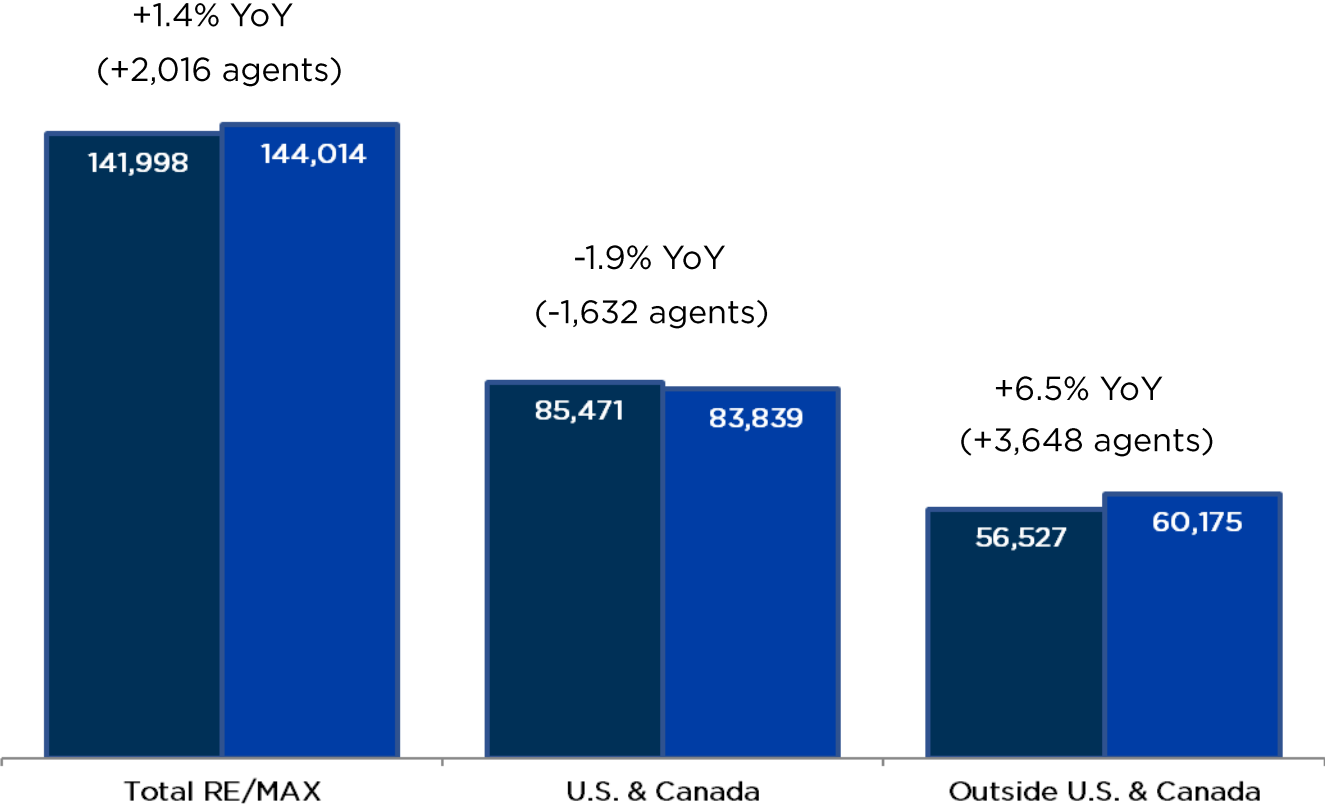
HOLDINGS, INC.

Growing Our Global Network

Year-over-Year Agent Count Growth of 1.4%

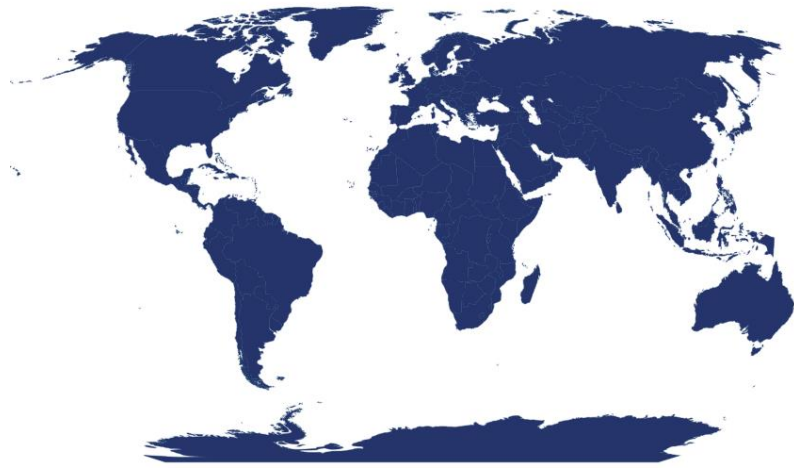
Agent Count Change Year-over-Year

December 31, 2021 December 31, 2022



Agent Count Change Year-over-Year

December 31, 2022, over December 31, 2021



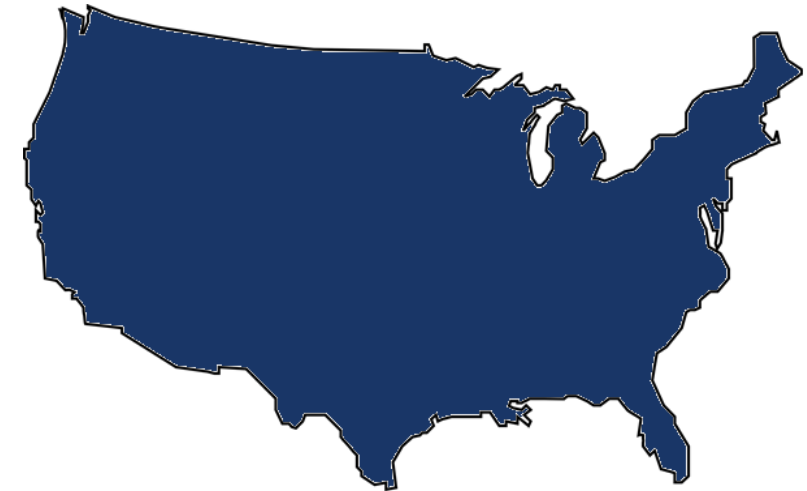
+6.5%
(+3,648 Agents)

Agents Outside U.S. & Canada



+4.0%
(+976 Agents)

Agents in Canada



-4.3%
(-2,608 Agents)

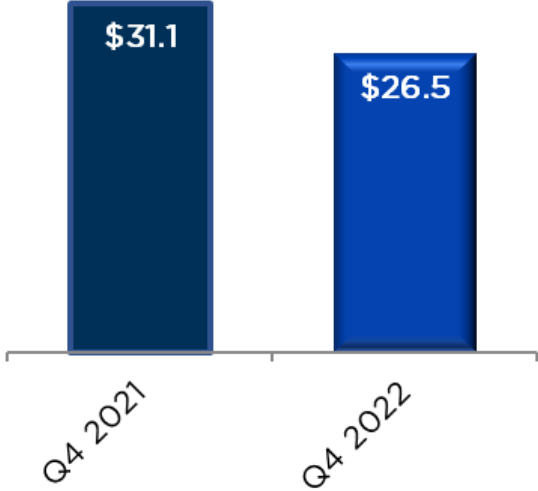
Agents in the U.S.

Total agent count grew 2,016 agents, or 1.4%, YoY to 144,014 agents

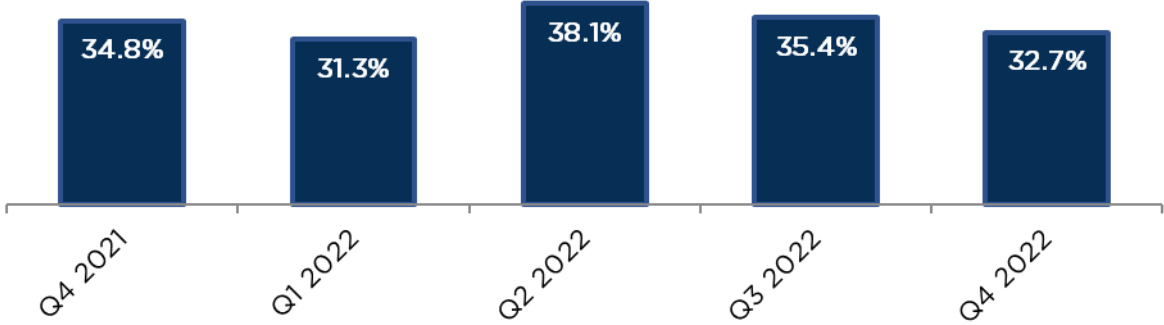
Adjusted EBITDA¹ of \$26.5 Million

Adjusted EBITDA Margin¹ of 32.7%

Adjusted EBITDA¹ (\$M)



Adjusted EBITDA Margin¹



For Q4 2022:

- Fourth quarter 2022 Adjusted EBITDA decreased primarily due to lower revenue excluding the Marketing Funds resulting from lower broker fee revenue and increased bad debt expense, partially offset by lower personnel expenses.
- Adjusted EBITDA margin was 32.7% in the fourth quarter of 2022, compared to 34.8% in the fourth quarter of 2021.

¹Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP numbers and exclude all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.

Strong Balance Sheet Bolsters Ability to Reinvest and Return Capital to Shareholders

Balance Sheet & Leverage

- Cash balance of \$108.7 million on December 31, 2022, down \$17.6 million from December 31, 2021
- \$448.3 million in outstanding debt¹ and no revolving loans outstanding
- Total Debt / Adjusted EBITDA² of 3.7x³
- Net Debt / Adjusted EBITDA² of 2.8x⁴

Share Repurchases and Retirement

- The Company has a common stock repurchase program of up to \$100 million. During the three months ended December 31, 2022, 538,552 shares were repurchased and retired for \$10.3 million excluding commissions, at a weighted average cost of \$19.14 per share. As of December 31, 2022, \$65.9 million remained available under the share repurchase program.

Dividend

- On February 15, 2023, the Company announced that its Board of Directors approved a quarterly cash dividend of \$0.23 per share of Class A common stock. The quarterly dividend is payable on March 22, 2023, to shareholders of record at the close of business on March 8, 2023.

¹Net of unamortized debt discount and debt issuance costs

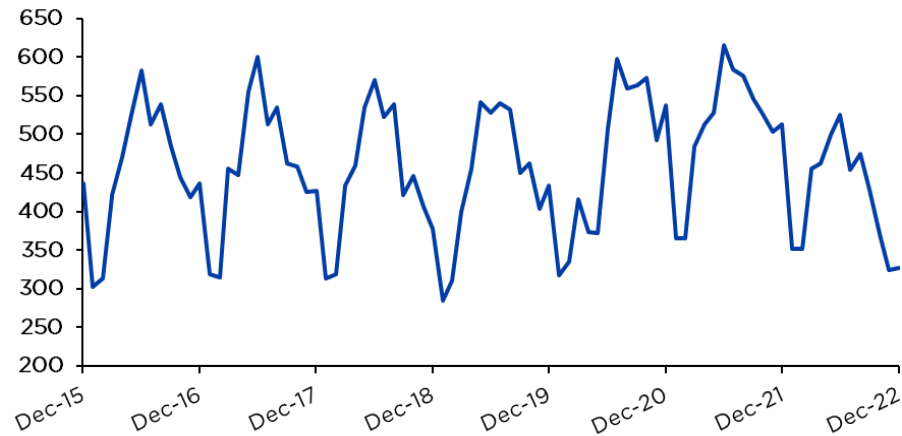
²Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP numbers and exclude all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.

³Based on twelve months ended December 31, 2022, Adjusted EBITDA of \$121.6M and total debt of \$448.3M, net of unamortized debt discount and debt issuance costs

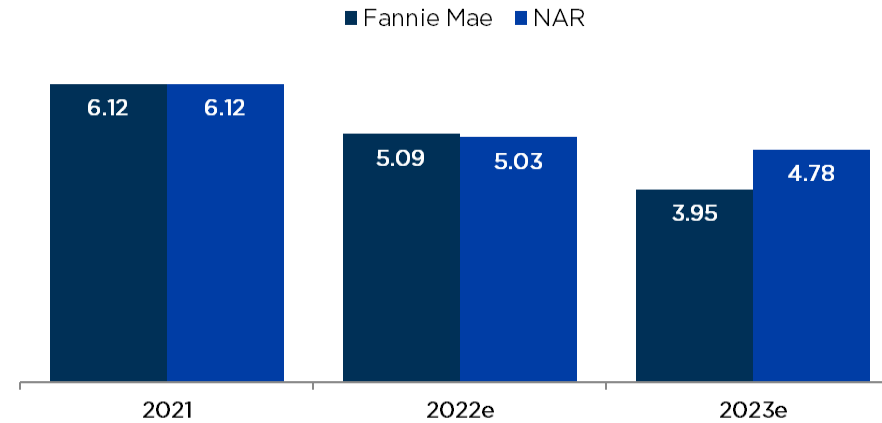
⁴Based on twelve months ended December 31, 2022, Adjusted EBITDA of \$121.6M and net debt of \$339.6M, net of unamortized debt discount, debt issuance costs and unrestricted cash balance on December 31, 2022

Industry Forecasts

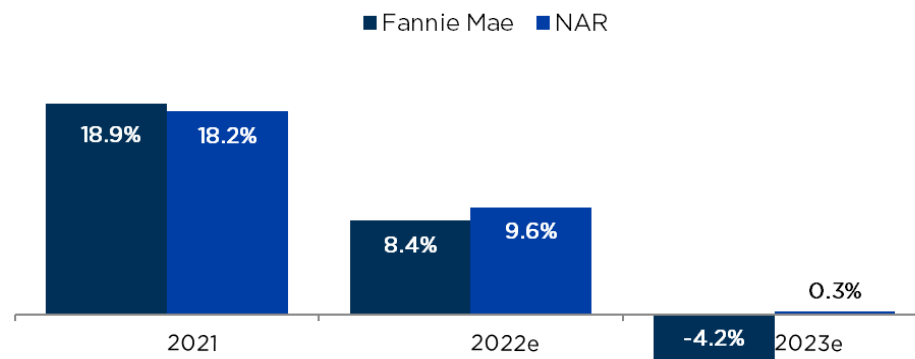
Monthly Existing Home Sales¹ (Thousands)



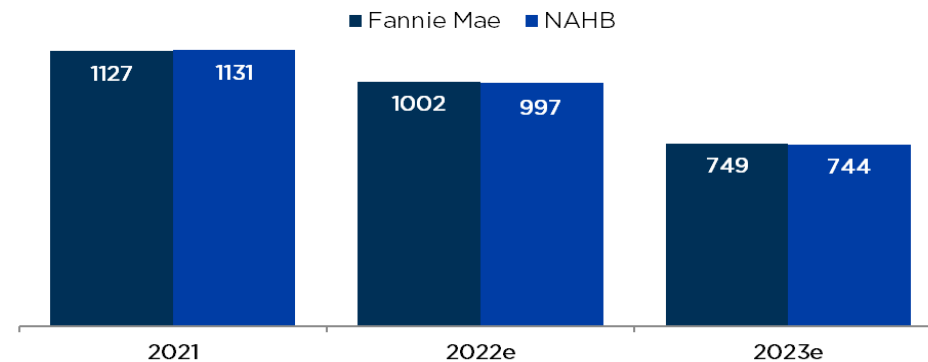
Annual Existing Home Sales^{1,2,3} (Millions)



Home Price Appreciation^{2,3} (YoY)



Housing Starts - Single Family^{3,4} (Thousands)



¹Source: NAR (National Association of Realtors) - Existing Home Sales, numbers presented are not seasonally adjusted; December 2015 through December 2022

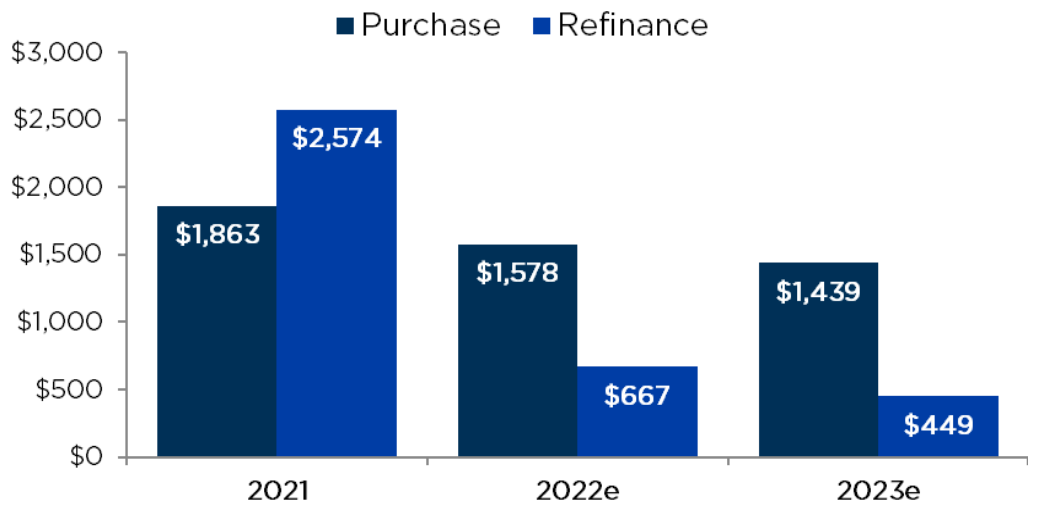
²Source: NAR (National Association of Realtors) - U.S. Economic Outlook, December 2022

³Source: Fannie Mae - Economic and Strategic Research - Housing Forecast, January 2023

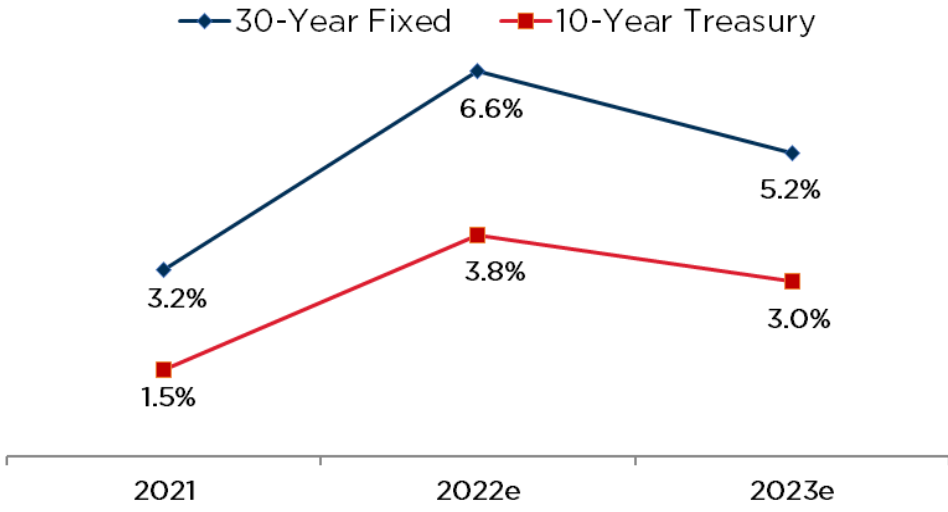
⁴Source: NAHB (National Association of Home Builders) - Housing and Interest Rate Forecast January 2023

Mortgage Finance Forecasts

Loan Originations¹ (\$'s in billions)



Mortgage & Interest Rates¹



¹Source: Mortgage Bankers Association - MBA Mortgage Finance Forecast January 2023

RE/MAX Holdings, Inc.

Agent Count and Revenue Excluding Marketing Funds

	As of									
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	
Agent Count:										
U.S.										
Company-Owned Regions	51,491	52,804	53,415	53,338	53,946	54,578	48,025	48,041	48,212	48,212
Independent Regions	7,228	7,311	7,410	7,379	7,381	7,429	14,403	14,220	14,091	14,091
U.S. Total	58,719	60,115	60,825	60,717	61,327	62,007	62,428	62,261	62,303	62,303
Canada										
Company-Owned Regions	20,228	20,174	20,098	19,751	19,596	19,207	6,387	6,262	6,182	6,182
Independent Regions	4,892	4,844	4,756	4,692	4,548	4,442	16,679	16,248	15,765	15,765
Canada Total	25,120	25,018	24,854	24,443	24,144	23,649	23,066	22,510	21,947	21,947
U.S. and Canada Total	83,839	85,133	85,679	85,160	85,471	85,656	85,494	84,771	84,250	84,250
Outside U.S. and Canada										
Independent Regions	60,175	59,167	58,260	57,245	56,527	55,280	54,707	55,443	53,542	53,542
Outside U.S. and Canada Total	60,175	59,167	58,260	57,245	56,527	55,280	54,707	55,443	53,542	53,542
Total	144,014	144,300	143,939	142,405	141,998	140,936	140,201	140,214	137,792	137,792
Net change in agent count compared to the prior period	(286)	361	1,534	407	1,062	735	(13)	2,422	3,023	3,023

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Revenue excluding the Marketing Funds:				
Total revenue	\$ 81,267	\$ 89,163	\$ 353,386	\$ 329,701
Less: Marketing Funds fees	21,823	22,935	90,319	82,391
Revenue excluding the Marketing Funds	<u>\$ 59,444</u>	<u>\$ 66,228</u>	<u>\$ 263,067</u>	<u>\$ 247,310</u>

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

RE/MAX Holdings, Inc.

Adjusted EBITDA Reconciliation to Net Income

(Reflects RE/MAX Holdings with 100% ownership of RMCO, LLC)

\$ in 000's	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ (1,553)	\$ 5,620	\$ 10,757	\$ (24,620)
Depreciation and amortization	8,914	9,097	35,769	31,333
Interest expense	7,491	3,807	20,903	11,344
Interest income	(785)	(16)	(1,460)	(217)
Provision for income taxes	3,012	1,005	7,371	2,459
EBITDA	17,079	19,513	73,340	20,299
Loss on contract settlement ⁽¹⁾	—	400	—	40,900
Loss on extinguishment of debt ⁽²⁾	—	—	—	264
Impairment charge - leased assets ⁽³⁾	—	—	6,248	—
Impairment charge - goodwill ⁽⁴⁾	7,100	—	7,100	5,123
Loss on lease termination ⁽⁵⁾	—	—	2,460	—
Equity-based compensation expense	4,038	6,983	22,044	34,298
Acquisition-related expense ⁽⁶⁾	(138)	3,119	1,859	17,422
Fair value adjustments to contingent consideration ⁽⁷⁾	(1,436)	(21)	(133)	309
Restructuring charges ⁽⁸⁾	598	—	8,690	—
Other	(703)	1,072	24	968
Adjusted EBITDA ⁽⁹⁾	\$ 26,538	\$ 31,066	\$ 121,632	\$ 119,583
Adjusted EBITDA Margin ⁽⁹⁾	32.7 %	34.8 %	34.4 %	36.3 %

Footnote:

- (1) Represents the effective settlement of the pre-existing master franchise agreements with INTEGRA that was recognized with the acquisition.
- (2) The loss was recognized in connection with the amended and restated Senior Secured Credit Facility.
- (3) Represents the impairment recognized on portions of the Company's corporate headquarters office building.
- (4) During the fourth quarter of 2022, in connection with the restructuring of the business and technology offerings, the Company made the decision to wind down the Gadberry Group, resulting in an impairment charge to the Gadberry Group reporting unit goodwill. In addition, during 2021, 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.
- (5) During the second quarter of 2022, a loss was recognized in connection with the termination of the booj office lease.
- (6) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquiree.
- (7) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.
- (8) During the second half of 2022, the Company incurred expenses related to the restructuring of the business and technology offerings, including \$7.6 million of severance and related expenses and a \$1.2 million write off of capitalized software development costs.
- (9) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

RE/MAX Holdings, Inc.

Adjusted Net Income & Adjusted Earnings per Share

(Reflects RE/MAX Holdings with 100% ownership of RMCO, LLC)

\$ in 000's	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ (1,553)	\$ 5,620	\$ 10,757	\$ (24,620)
Amortization of acquired intangible assets	5,780	6,979	24,333	22,557
Provision for income taxes	3,012	1,005	7,371	2,459
Add-backs:				
Loss on contract settlement ⁽¹⁾	—	400	—	40,900
Loss on extinguishment of debt ⁽²⁾	—	—	—	264
Impairment charge - leased assets ⁽³⁾	—	—	6,248	—
Impairment charge - goodwill ⁽⁴⁾	7,100	—	7,100	5,123
Loss on lease termination ⁽⁵⁾	—	—	2,460	—
Equity-based compensation expense	4,038	6,983	22,044	34,298
Acquisition-related expense ⁽⁶⁾	(138)	3,119	1,859	17,422
Fair value adjustments to contingent consideration ⁽⁷⁾	(1,436)	(21)	(133)	309
Restructuring charges ⁽⁸⁾	598	—	8,690	—
Other	(703)	1,072	24	968
Adjusted pre-tax net income	16,698	25,157	90,753	99,680
Less: Provision for income taxes at 25% and 24%, respectively ⁽⁹⁾	(4,175)	(6,038)	(22,688)	(23,923)
Adjusted net income ⁽¹⁰⁾	\$ 12,523	\$ 19,119	\$ 68,065	\$ 75,757
Total basic pro forma shares outstanding	30,696,570	31,365,794	31,238,374	31,250,042
Total diluted pro forma shares outstanding	30,696,570	31,671,639	31,404,296	31,250,042
Adjusted net income basic earnings per share ⁽¹⁰⁾	\$ 0.41	\$ 0.61	\$ 2.18	\$ 2.42
Adjusted net income diluted earnings per share ⁽¹⁰⁾	\$ 0.41	\$ 0.60	\$ 2.17	\$ 2.42

Footnote:

- (1) Represents the effective settlement of the pre-existing master franchise agreements with INTEGRA that was recognized with the acquisition.
- (2) The loss was recognized in connection with the amended and restated Senior Secured Credit Facility.
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- (5) During the second quarter of 2022, a loss was recognized in connection with the termination of the booj office lease.
- (6) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquired companies
- (7) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.
- (8) During the second half of 2022, the Company incurred expenses related to the restructuring of the business and technology offerings, including \$7.6 million of severance and related expenses and a \$1.2 million write off of capitalized software development costs.
- (9) The long-term tax rate assumes the exchange of all outstanding non-controlling interest partnership units for Class A Common Stock that (a) removes the impact of unusual, non-recurring tax matters, (b) does not estimate the residual impacts to foreign taxes of additional step-ups in tax basis from an exchange because that is dependent on stock prices at
- (10) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

RE/MAX Holdings, Inc.

Adjusted Free Cash Flow & Unencumbered Cash Generation

\$ in 000's	Year Ended	
	December 31,	
	2022	2021
Cash flow from operations	\$ 71,142	\$ 42,442
Less: Purchases of property, equipment and capitalization of software	(9,932)	(15,239)
(Increases) decreases in restricted cash of the Marketing Funds ⁽¹⁾	2,664	(12,257)
Adjusted free cash flow ⁽²⁾	63,874	14,946
Adjusted free cash flow ⁽²⁾	63,874	14,946
Less: Tax/Other non-dividend distributions to RIHI	(2,276)	(2,650)
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	61,598	12,296
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	61,598	12,296
Less: Debt principal payments	(4,600)	(3,553)
Unencumbered cash generated ⁽²⁾	\$ 56,998	\$ 8,743
Summary		
Cash flow from operations	\$ 71,142	\$ 42,442
Adjusted free cash flow ⁽²⁾	\$ 63,874	\$ 14,946
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	\$ 61,598	\$ 12,296
Unencumbered cash generated ⁽²⁾	\$ 56,998	\$ 8,743
Adjusted EBITDA ⁽²⁾	\$ 121,632	\$ 119,583
Adjusted free cash flow as % of Adjusted EBITDA ⁽²⁾	52.5%	12.5%
Adjusted free cash flow less distributions to RIHI as % of Adjusted EBITDA ⁽²⁾	50.6%	10.3%
Unencumbered cash generated as % of Adjusted EBITDA ⁽²⁾	46.9%	7.3%

Footnote:

- (1) This line reflects any subsequent changes in the restricted cash balance (which under GAAP reflects as either (a) an increase or decrease in cash flow from operations or (b) an incremental amount of purchases of property and equipment and capitalization of developed software) so as to remove the impact of changes in restricted cash in determining adjusted free cash flow.
- (2) Non-GAAP measure. See the end of this presentation for definitions of non-GAAP measures.

Non-GAAP Financial Measures

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

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

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

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

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

- these measures do not reflect changes in, or cash requirements for, the Company's working capital needs;
- these measures do not reflect the Company's interest expense, or the cash requirements necessary to service interest or principal payments on its debt;
- these measures do not reflect the Company's income tax expense or the cash requirements to pay its taxes;
- these measures do not reflect the cash requirements to pay dividends to stockholders of the Company's Class A common stock and tax and other cash distributions to its non-controlling unitholders;
- these measures do not reflect the cash requirements pursuant to the tax receivable agreements;
- these measures do not reflect the cash requirements for share repurchases;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements;
- although equity-based compensation is a non-cash charge, the issuance of equity-based awards may have a dilutive impact on earnings per share; and
- other companies may calculate these measures differently so similarly named measures may not be comparable.

The Company's Adjusted EBITDA guidance does not include certain charges and costs. The adjustments to EBITDA in future periods are generally expected to be similar to the kinds of charges and costs excluded from Adjusted EBITDA in prior quarters, such as gain on sale or disposition of assets and sublease and acquisition-related expense, among others. The exclusion of these charges and costs in future periods will have a significant impact on the Company's Adjusted EBITDA. The Company is not able to provide a reconciliation of the Company's non-GAAP financial guidance to the corresponding U.S. GAAP measures without unreasonable effort because of the uncertainty and variability of the nature and amount of these future charges and costs.

Non-GAAP Financial Measures (continued)

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

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

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

- facilitate comparisons with other companies that do not have a low effective tax rate driven by a non-controlling interest on a pass-through entity;
- facilitate period over period comparisons because they eliminate the effect of changes in Net income attributable to RE/MAX Holdings, Inc. driven by increases in its ownership of RMCO, LLC, which are unrelated to the Company's operating performance; and
- eliminate primarily non-cash and other items that management does not consider to be useful in assessing the Company's operating performance.

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

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

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