



**RE/MAX Holdings, Inc.**  
First Quarter 2023 Earnings  
May 5, 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; Motto open offices; franchise sales; revenue; operating expenses; the Company’s outlook for the second quarter and full year 2023; non-GAAP financial measures; housing and mortgage market conditions; growth; and return of capital. 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](http://www.remaxholdings.com) and on the SEC website at [www.sec.gov](http://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.

# Q1 2023 Highlights

Total Revenue of \$85.4 Million, Adjusted EBITDA of \$19.9 Million, Adjusted EPS of \$0.26

## Q1 2023 Operating Highlights

- Total agent count grew 1,118 agents, or 0.8%, YoY to 143,523 agents
- Agent count in the U.S. and Canada combined decreased 3.1% to 82,521 agents
- Motto open offices increased 21.5% YoY to 232 offices<sup>1</sup>
- Share repurchase program continued: 160,405 Class A shares were repurchased<sup>2</sup> during Q1

Comparisons represent Q1 2023 versus Q1 2022 unless otherwise noted

## Q1 2023 Financial Highlights

- Revenue was \$85.4 million, a decrease of 6.2%
- Negative organic revenue growth<sup>3</sup> of 5.0%
- Adjusted EBITDA<sup>4</sup> of \$19.9 million
- Adjusted EBITDA Margin<sup>4</sup> of 23.3%
- Adjusted Diluted EPS<sup>4</sup> of \$0.26

Comparisons represent Q1 2023 versus Q1 2022 unless otherwise noted



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

<sup>2</sup>During the three months ended March 31, 2023, 160,405 shares were repurchased and retired for \$3.4 million excluding commissions, at a weighted average cost of \$21.24 per share.

<sup>3</sup>Organic 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).

<sup>4</sup>Adjusted 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.

# \$100 Million Annual Mortgage Revenue Target

900-1,000 franchises

X

\$4,500 monthly  
continuing franchise fee

=

\$50 Million Annual  
Revenue Target



232 Open  
Offices as of  
March 31,  
2023

~5% of ~1.2 million annual loans  
completed through broker channel<sup>1</sup>

~60,000 loans annually

=

\$50 Million Annual  
Revenue Target

~10,000 loans  
originated from  
the Motto  
network in  
2022



<sup>1</sup>Assumes ~6 million annual mortgage originations (Total 1-to-4 Family, # of loans), of which ~20% are originated through the mortgage broker channel.

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# 2 TO 1

RE/MAX® agents average double the sales of other agents in the RealTrends 500 survey\* of large brokerages.

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Unstoppable Starts Here<sup>SM</sup>

**RE/MAX**<sup>®</sup>  
HOLDINGS, INC.

\*Transaction sides per agent calculated by RE/MAX based on 2023 RealTrends 500 data, citing 2022 transactions sides for the 1,561 largest participating U.S. brokerages, excluding 42 who did not report active licensees. RE/MAX average: 13.6. Competitors: 6.2.

Investing for Future Growth

# MAXRECRUIT



Recruiting + Retention  
Unstoppable Starts Here<sup>SM</sup>

RE/MAX<sup>®</sup> Teams

Conversions, Mergers,  
and Acquisitions

# MAXTECH

powered by **kv CORE**  
PLATFORM

**RE/MAX<sup>®</sup>**  
HOLDINGS, INC.

# Revenue

Total Revenue down 6.2%, Negative Organic Revenue growth of 5.0%

Revenue (\$M)	Year to Date			
	2023	2022	Increase/(Decrease) \$	%
Continuing franchise fees	\$32.1	\$33.5	(\$1.4)	(4.2%)
Annual dues	\$8.6	\$8.9	(\$0.3)	(3.4%)
Broker fees	\$10.9	\$15.1	(\$4.2)	(27.8%)
Marketing Funds fees	\$21.3	\$22.9	(\$1.5)	(6.6%)
Franchise sales and other revenue	\$12.5	\$10.6	\$1.8	17.1%
<b>Total Revenue</b>	<b>\$85.4</b>	<b>\$91.0</b>	<b>(\$5.6)</b>	<b>(6.2%)</b>

## For Q1 2023:

- RE/MAX Holdings generated revenue of \$85.4 million in the first quarter of 2023, a decrease of \$5.6 million, or 6.2%, compared to \$91.0 million in the first quarter of 2022. Revenue excluding the Marketing Funds was \$64.1 million in the first quarter of 2023, a decrease of \$4.1 million, or 6.0%, versus the same period in 2022. This decrease was attributable to negative organic revenue growth of 5.0% and adverse foreign-currency movements of 1.0%. Organic growth decreased primarily due to lower broker fee revenue and a reduction in U.S. agent count, partially offset by higher revenue from the annual RE/MAX agent convention. Rising interest rates adversely impacted affordability and weakened housing demand resulting in fewer transactions and, by extension, lower broker fee revenue.
- Recurring revenue streams, which consist of continuing franchise fees and annual dues, decreased \$1.7 million, or 4.1%, compared to the first quarter of 2022 and accounted for 63.5% of Revenue excluding the Marketing Funds in the first quarter of 2023 compared to 62.2% of Revenue excluding the Marketing Funds in the prior-year period.



<sup>1</sup>Revenue 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.

<sup>2</sup>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).

<sup>3</sup>Recurring revenue is comprised of Continuing franchise fees and Annual dues.

# Selling, Operating and Administrative Expenses

Total Selling, Operating and Administrative expenses up 2.7%

Selling, Operating & Administrative Expenses (\$M)	Year to Date			
	2023	2022	Increase/(Decrease)	
			\$	%
Personnel	\$25.0	\$26.7	(\$1.7)	(6.3%)
Professional fees	\$3.4	\$4.8	(\$1.4)	(29.4%)
Lease costs	\$2.0	\$2.3	(\$0.4)	(15.2%)
Other	\$18.7	\$14.0	\$4.7	33.8%
<b>Total</b>	<b>\$49.1</b>	<b>\$47.8</b>	<b>\$1.3</b>	<b>2.7%</b>

## For Q1 2023:

- Selling, operating and administrative expenses were \$49.1 million in the first quarter of 2023, an increase of \$1.3 million, or 2.7%, compared to the first quarter of 2022 and represented 76.7% of Revenue excluding the Marketing Funds, compared to 70.2% in the prior-year period.
- First quarter 2023 selling, operating and administrative expenses increased primarily due to an increase in expenses associated with the annual RE/MAX agent convention and bad debt expense, partially offset by lower personnel expenses and lower professional fees.

# Looking Ahead – Q2 2023 and FY 2023 Outlook

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

### Q2 2023 Outlook<sup>1</sup>

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

- Agent count to change -0.5% to 0.5% over second quarter 2022;
- Revenue in a range of \$79.0 million to \$84.0 million (including revenue from the Marketing Funds in a range of \$20.0 million to \$22.0 million); and
- Adjusted EBITDA in a range of \$24.5 million to \$27.5 million.

### Full Year 2023 Outlook<sup>1</sup>

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 Estate<sup>1</sup> (US/Canada) and Unmatched Global Footprint<sup>2</sup>



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 Franchises<sup>3</sup>

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

<sup>1</sup>Source: MMR Strategy Group Study of unaided brand awareness

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

<sup>3</sup>For more information on Motto awards please see [www.mottomortgage.com/awards-disclaimers](http://www.mottomortgage.com/awards-disclaimers)

THANK YOU

**RE/MAX<sup>®</sup>**

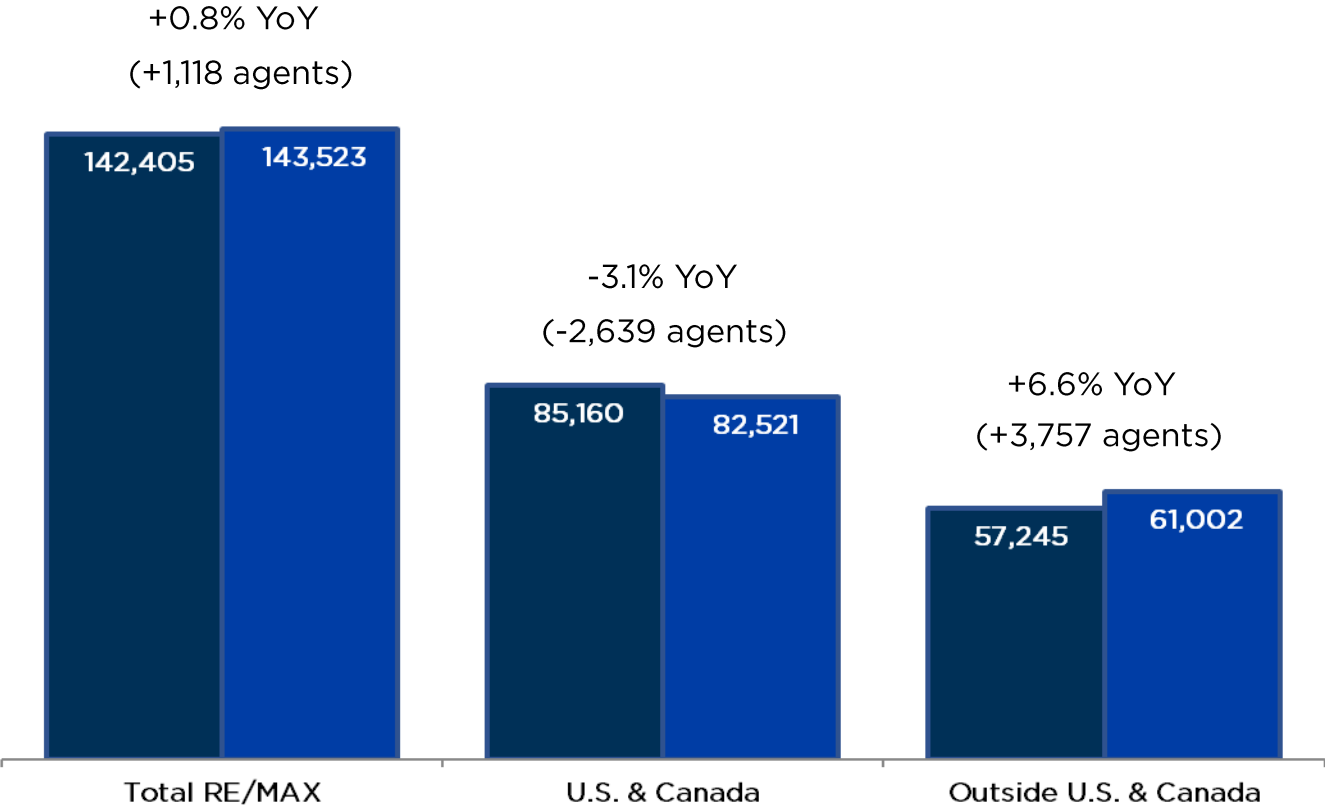
**HOLDINGS, INC.**

# Growing Our Global Network

Year-over-Year Agent Count Growth of 0.8%

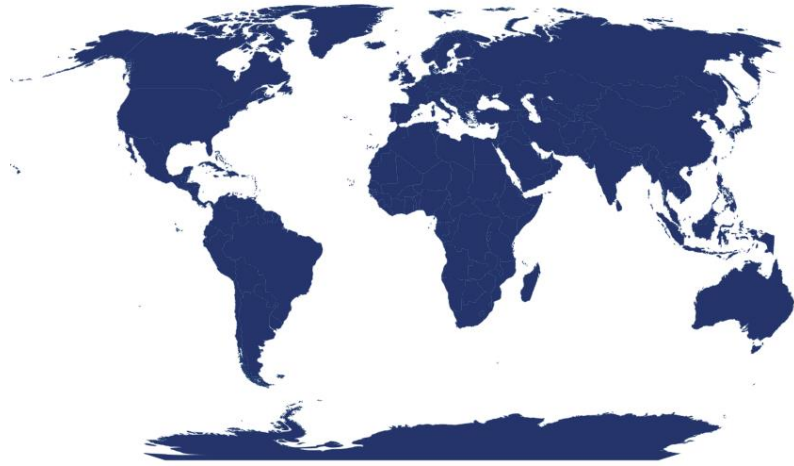
## Agent Count Change Year-over-Year

■ March 31, 2022     ■ March 31, 2023



# Agent Count Change Year-over-Year

March 31, 2023, over March 31, 2022



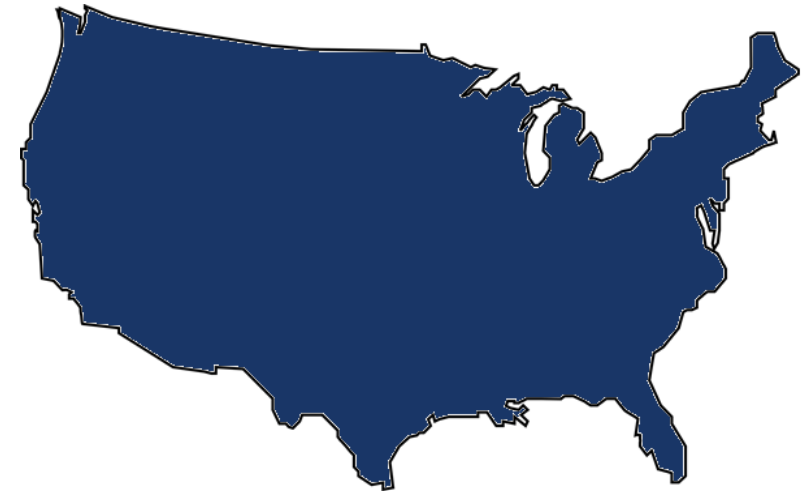
+6.6%  
(+3,757 Agents)

Agents Outside U.S. & Canada



+2.6%  
(+628 Agents)

Agents in Canada



-5.4%  
(-3,267 Agents)

Agents in the U.S.

Total agent count grew 1,118 agents, or 0.8%, YoY to 143,523 agents

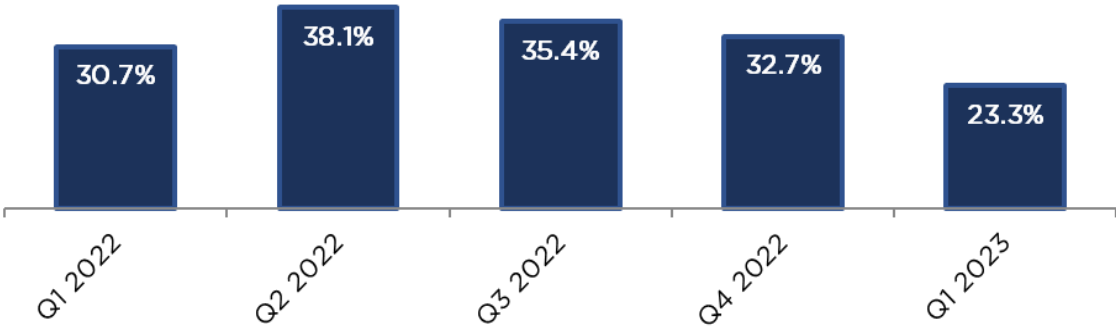
# Adjusted EBITDA<sup>1</sup> of \$19.9 Million

Adjusted EBITDA Margin<sup>1</sup> of 23.3%

Adjusted EBITDA<sup>1</sup> (\$M)



Adjusted EBITDA Margin<sup>1</sup>



### For Q1 2023:

- Adjusted EBITDA was \$19.9 million for the first quarter of 2023, a decrease of \$8.0 million, or 28.6%, compared to the first quarter of 2022. First quarter 2023 Adjusted EBITDA decreased primarily due to lower revenue excluding the Marketing Funds resulting from lower broker fee revenue and a decrease in U.S. agent count, increased bad debt expense and the net impact from the annual RE/MAX agent convention.
- Adjusted EBITDA margin was 23.3% in the first quarter of 2023, compared to 30.7% in the first quarter of 2022.



<sup>1</sup>Adjusted 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 \$96.8 million on March 31, 2023, down \$11.9 million from December 31, 2022
- \$447.4 million in outstanding debt<sup>1</sup> and no revolving loans outstanding
- Total Debt / Adjusted EBITDA<sup>2</sup> of 4.0x<sup>3</sup>
- Net Debt / Adjusted EBITDA<sup>2</sup> of 3.1x<sup>4</sup>

## Share Repurchases and Retirement

- The Company has a common stock repurchase program of up to \$100 million. During the three months ended March 31, 2023, 160,405 shares were repurchased and retired for \$3.4 million excluding commissions, at a weighted average cost of \$21.24 per share. As of March 31, 2023, \$62.5 million remained available under the share repurchase program.

## Dividend

- On May 3, 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 May 31, 2023, to shareholders of record at the close of business on May 17, 2023.

<sup>1</sup>Net of unamortized debt discount and debt issuance costs

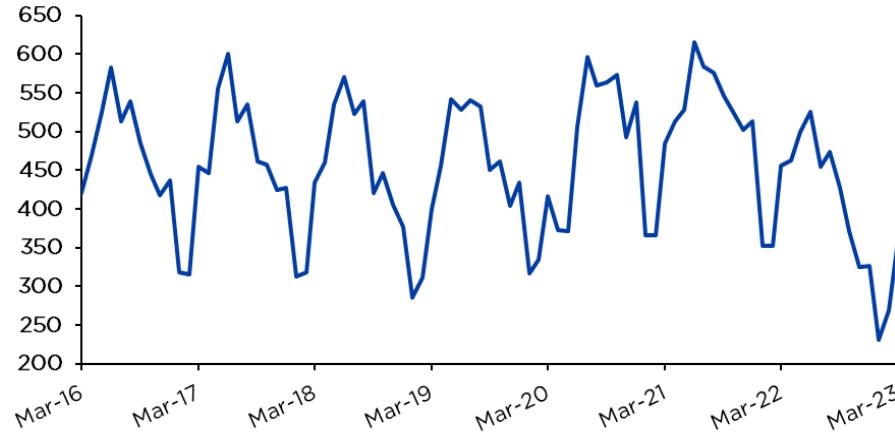
<sup>2</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP numbers and exclude all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.

<sup>3</sup>Based on twelve months ended March 31, 2023, Adjusted EBITDA of \$113.1M and total debt of \$447.4M, net of unamortized debt discount and debt issuance costs

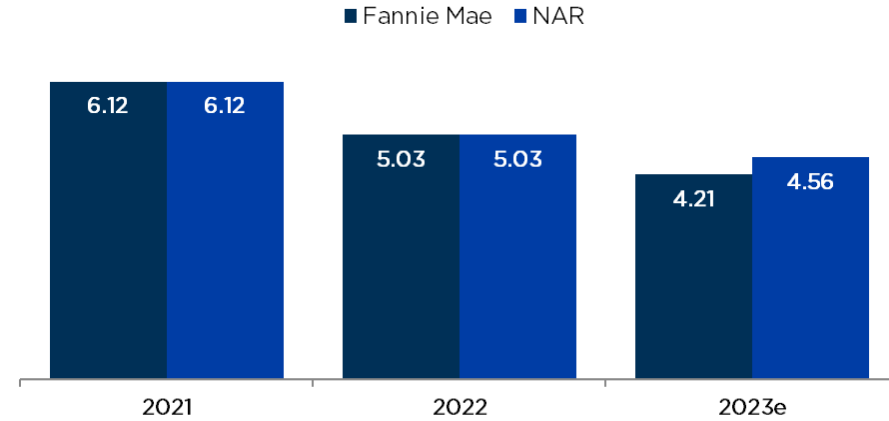
<sup>4</sup>Based on twelve months ended March 31, 2023, Adjusted EBITDA of \$113.1M and net debt of \$350.6M, net of unamortized debt discount, debt issuance costs and unrestricted cash balance on March 31, 2023

# Industry Forecasts

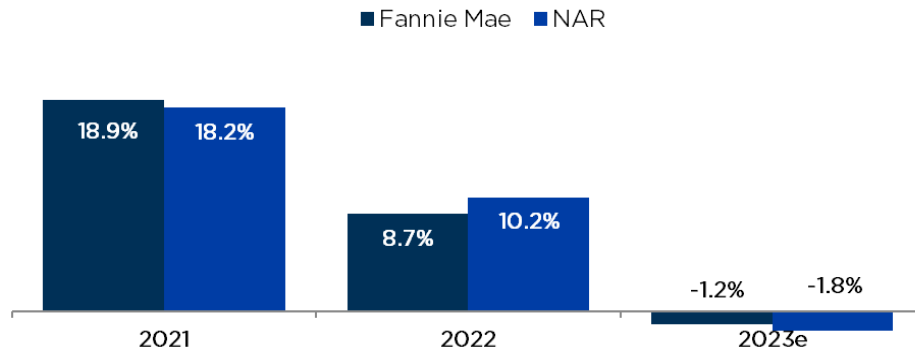
## Monthly Existing Home Sales<sup>1</sup> (Thousands)



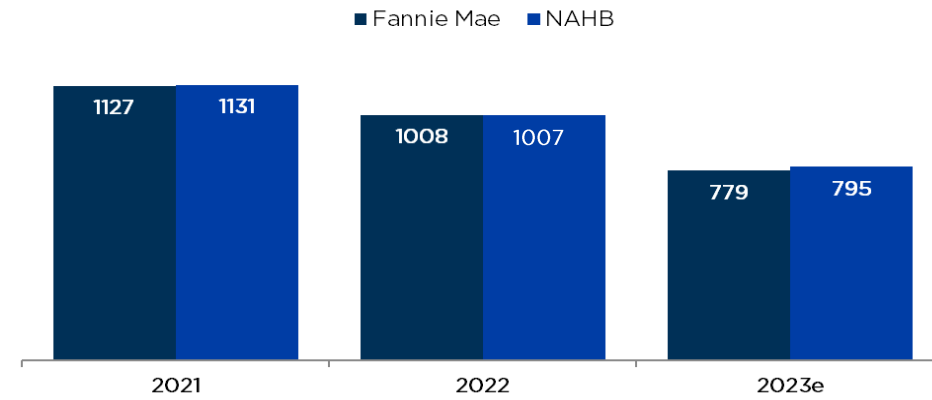
## Annual Existing Home Sales<sup>1,2,3</sup> (Millions)



## Home Price Appreciation<sup>2,3</sup> (YoY)



## Housing Starts - Single Family<sup>3,4</sup> (Thousands)



<sup>1</sup>Source: NAR (National Association of Realtors) - Existing Home Sales, numbers presented are not seasonally adjusted; March 2016 through March 2023

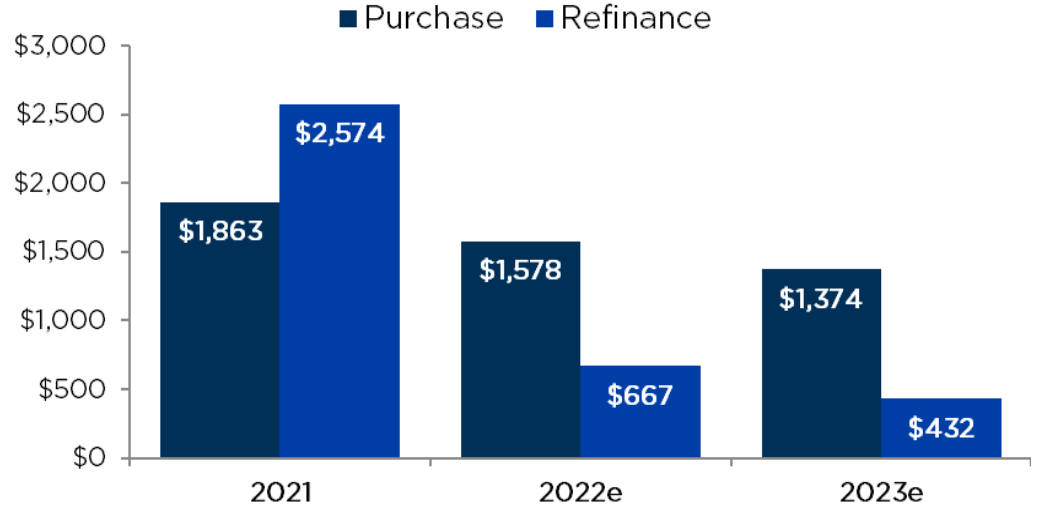
<sup>2</sup>Source: NAR (National Association of Realtors) - U.S. Economic Outlook, May 2023

<sup>3</sup>Source: Fannie Mae - Economic and Strategic Research - Housing Forecast, April 2023

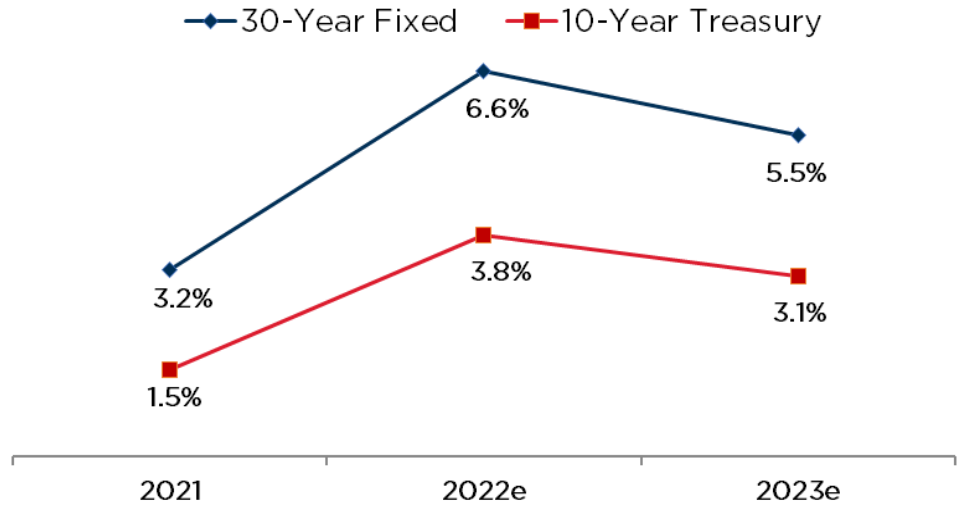
<sup>4</sup>Source: NAHB (National Association of Home Builders) - Housing and Interest Rate Forecast April 2023

# Mortgage Finance Forecasts

Loan Originations<sup>1</sup> (\$'s in billions)



Mortgage & Interest Rates<sup>1</sup>



<sup>1</sup>Source: Mortgage Bankers Association - MBA Mortgage Finance Forecast April 2023

# RE/MAX Holdings, Inc.

## Agent Count and Revenue Excluding Marketing Funds

	As of									
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	
<b>Agent Count:</b>										
U.S.										
Company-Owned Regions	50,340	51,491	52,804	53,415	53,338	53,946	54,578	48,025	48,041	
Independent Regions	7,110	7,228	7,311	7,410	7,379	7,381	7,429	14,403	14,220	
<b>U.S. Total</b>	<b>57,450</b>	<b>58,719</b>	<b>60,115</b>	<b>60,825</b>	<b>60,717</b>	<b>61,327</b>	<b>62,007</b>	<b>62,428</b>	<b>62,261</b>	
Canada										
Company-Owned Regions	20,172	20,228	20,174	20,098	19,751	19,596	19,207	6,387	6,262	
Independent Regions	4,899	4,892	4,844	4,756	4,692	4,548	4,442	16,679	16,248	
<b>Canada Total</b>	<b>25,071</b>	<b>25,120</b>	<b>25,018</b>	<b>24,854</b>	<b>24,443</b>	<b>24,144</b>	<b>23,649</b>	<b>23,066</b>	<b>22,510</b>	
<b>U.S. and Canada Total</b>	<b>82,521</b>	<b>83,839</b>	<b>85,133</b>	<b>85,679</b>	<b>85,160</b>	<b>85,471</b>	<b>85,656</b>	<b>85,494</b>	<b>84,771</b>	
Outside U.S. and Canada										
Independent Regions	61,002	60,175	59,167	58,260	57,245	56,527	55,280	54,707	55,443	
<b>Outside U.S. and Canada Total</b>	<b>61,002</b>	<b>60,175</b>	<b>59,167</b>	<b>58,260</b>	<b>57,245</b>	<b>56,527</b>	<b>55,280</b>	<b>54,707</b>	<b>55,443</b>	
<b>Total</b>	<b>143,523</b>	<b>144,014</b>	<b>144,300</b>	<b>143,939</b>	<b>142,405</b>	<b>141,998</b>	<b>140,936</b>	<b>140,201</b>	<b>140,214</b>	
<b>Net change in agent count compared to the prior period</b>	<b>(491)</b>	<b>(286)</b>	<b>361</b>	<b>1,534</b>	<b>407</b>	<b>1,062</b>	<b>735</b>	<b>(13)</b>	<b>2,422</b>	

	Three Months Ended	
	March 31,	
	2023	2022
<b>Revenue excluding the Marketing Funds:</b>		
Total revenue	\$ 85,401	\$ 91,004
Less: Marketing Funds fees	21,342	22,851
Revenue excluding the Marketing Funds	<u>\$ 64,059</u>	<u>\$ 68,153</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	
	March 31,	
	2023	2022
Net income (loss)	\$ (679)	\$ 2,945
Depreciation and amortization	8,033	8,985
Interest expense	8,245	3,651
Interest income	(1,004)	(19)
Provision for income taxes	392	1,205
EBITDA	14,987	16,767
Impairment charge - leased assets <sup>(1)</sup>	—	3,735
Equity-based compensation expense	4,451	5,637
Acquisition-related expense <sup>(2)</sup>	37	1,257
Fair value adjustments to contingent consideration <sup>(3)</sup>	(4)	285
Restructuring charges	39	—
Other	410	236
Adjusted EBITDA <sup>(4)</sup>	\$ 19,920	\$ 27,917
Adjusted EBITDA Margin <sup>(4)</sup>	23.3 %	30.7 %

(1) Represents the impairment recognized on a portion of the Company's corporate headquarters office building in the prior year.

(2) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquired companies.

(3) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.

(4) 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	
	March 31,	
	2023	2022
<b>Net income (loss)</b>	\$ (679)	\$ 2,945
Amortization of acquired intangible assets	5,758	6,169
Provision for income taxes	392	1,205
Add-backs:		
Impairment charge - leased assets <sup>(1)</sup>	—	3,735
Equity-based compensation expense	4,451	5,637
Acquisition-related expense <sup>(2)</sup>	37	1,257
Fair value adjustments to contingent consideration <sup>(3)</sup>	(4)	285
Restructuring charges	39	—
Other	410	236
Adjusted pre-tax net income	10,404	21,469
Less: Provision for income taxes at 25% <sup>(4)</sup>	(2,601)	(5,367)
<b>Adjusted net income <sup>(5)</sup></b>	<b>\$ 7,803</b>	<b>\$ 16,102</b>
Total basic pro forma shares outstanding	30,476,441	31,494,024
Total diluted pro forma shares outstanding	30,476,441	31,771,203
<b>Adjusted net income basic earnings per share <sup>(5)</sup></b>	<b>\$ 0.26</b>	<b>\$ 0.51</b>
<b>Adjusted net income diluted earnings per share <sup>(5)</sup></b>	<b>\$ 0.26</b>	<b>\$ 0.51</b>

(1) Represents the impairment recognized on a portion of the Company's corporate headquarters office building in the prior year.

(2) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with acquisition activities and integration of acquired companies.

(3) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liabilities.

(4) The long-term tax rate assumes the exchange of all outstanding non-controlling interest partnership units for Class A Common Stock that (a) removes the impact of unusual, non-recurring tax matters and (b) does not estimate the residual impacts to foreign taxes of additional step-ups in tax basis from an exchange because that is dependent on stock prices at the time of such exchange and the calculation is impracticable.

(5) 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	Three Months Ended	
	March 31,	
	2023	2022
Cash flow from operations	\$ 3,064	\$ 16,502
Less: Purchases of property, equipment and capitalization of software	(1,489)	(3,723)
(Increases) decreases in restricted cash of the Marketing Funds <sup>(1)</sup>	2,136	(4,760)
<b>Adjusted free cash flow <sup>(2)</sup></b>	<b>3,711</b>	<b>8,019</b>
Adjusted free cash flow <sup>(2)</sup>	3,711	8,019
Less: Tax/Other non-dividend distributions to RIHI	—	(5)
<b>Adjusted free cash flow after tax/non-dividend distributions to RIHI <sup>(2)</sup></b>	<b>3,711</b>	<b>8,014</b>
Adjusted free cash flow after tax/non-dividend distributions to RIHI <sup>(2)</sup>	3,711	8,014
Less: Debt principal payments	(1,150)	(1,150)
<b>Unencumbered cash generated <sup>(2)</sup></b>	<b>\$ 2,561</b>	<b>\$ 6,864</b>
<b>Summary</b>		
Cash flow from operations	\$ 3,064	\$ 16,502
Adjusted free cash flow <sup>(2)</sup>	\$ 3,711	\$ 8,019
Adjusted free cash flow after tax/non-dividend distributions to RIHI <sup>(2)</sup>	\$ 3,711	\$ 8,014
Unencumbered cash generated <sup>(2)</sup>	\$ 2,561	\$ 6,864
Adjusted EBITDA <sup>(2)</sup>	\$ 19,920	\$ 27,917
Adjusted free cash flow as % of Adjusted EBITDA <sup>(2)</sup>	18.6%	28.7%
Adjusted free cash flow less distributions to RIHI as % of Adjusted EBITDA <sup>(2)</sup>	18.6%	28.7%
Unencumbered cash generated as % of Adjusted EBITDA <sup>(2)</sup>	12.9%	24.6%

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 revenue excluding the Marketing Funds, Adjusted EBITDA and the ratios related thereto, Adjusted net income, Adjusted basic and diluted earnings per share (Adjusted EPS) and Adjusted free cash flow. These measures are derived on the basis of methodologies other than in accordance with U.S. GAAP.

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

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

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

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

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

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

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