



NEWS RELEASE

# RE/MAX HOLDINGS, INC. REPORTS THIRD QUARTER 2022 RESULTS

11/3/2022

Total Revenue of \$88.9 Million, Adjusted EBITDA of \$31.5 Million, Share Buyback Accelerated

DENVER, Nov. 3, 2022 /PRNewswire/ --

## Third Quarter 2022 Highlights

(Compared to third quarter 2021 unless otherwise noted)

- Total Revenue decreased 2.3% to \$88.9 million
- Revenue excluding the Marketing Funds<sup>1</sup> decreased 2.2% to \$66.2 million, driven by negative 4.9% organic growth<sup>2</sup> and adverse foreign currency movements of 0.5%, partially offset by 3.2% growth attributable to acquisitions
- Net income attributable to RE/MAX Holdings, Inc. of \$0.1 million and income per diluted share (GAAP EPS) of \$0.01
- Adjusted EBITDA<sup>3</sup> decreased 9.5% to \$31.5 million, Adjusted EBITDA margin<sup>3</sup> of 35.4% and Adjusted earnings per diluted share (Adjusted EPS<sup>3</sup>) of \$0.56
- Total agent count increased 2.4% to 144,300 agents
- U.S. and Canada combined agent count decreased 0.6% agents to 85,133 agents
- Total open Motto Mortgage franchises increased 19.9% to 211 offices<sup>4</sup>

## Operating Statistics as of October 31, 2022

(Compared to October 31, 2021 unless otherwise noted)

- Total agent count increased 1.9% to 144,029 agents
- U.S. and Canada combined agent count decreased 1.0% to 84,924 agents

- Total open Motto Mortgage franchises increased 21.9% to 217 offices<sup>4</sup>

RE/MAX Holdings, Inc. (the "Company" or "RE/MAX Holdings") (NYSE: RMAX), parent company of RE/MAX, one of the world's leading franchisors of real estate brokerage services, and Motto Mortgage ("Motto"), the first-and-only national mortgage brokerage franchise brand in the U.S., today announced operating results for the quarter ended September 30, 2022.

"Our third-quarter results showed solid performance, driven by our 2021 RE/MAX INTEGRA acquisition and growing mortgage business, which helped offset the impact from increasingly difficult housing market conditions," said Steve Joyce, RE/MAX Holdings Chief Executive Officer. "We expect our strategic growth initiatives to provide similar benefits in the coming quarters. While not immune to the impact of shifting housing conditions, we believe our 50-year track record amply shows we are insulated far better and are more resilient than most. Simply put, our business is built to last."

Joyce continued: "From 2010 to 2021, U.S. housing experienced markets at both ends of the spectrum: from tumbling prices and record-high inventory in the aftermath of the 2008 housing crash, to soaring prices as inventory plummeted in the following years. During this time period, the number of U.S. home sales went up and down as did the average transaction sides per agent. But RE/MAX agents consistently outproduced the competition at large brokerages more than 2 to 1, according to the REALTrends 500 survey citing transaction sides at the largest participating U.S. brokerages.

"We believe our global scale, well-known brands, financial strength, principally recurring revenue model, increasingly diversified business, and 100%-franchise model, position us better than at any point in our history as we enter the next phase of the housing cycle."

## Third Quarter 2022 Operating Results

### Agent Count

The following table compares agent count as of September 30, 2022 and 2021:

	As of September 30,		Change	
	2022	2021	#	%
U.S.	60,115	62,007	(1,892)	(3.1)
Canada	25,018	23,649	1,369	5.8
Subtotal	85,133	85,656	(523)	(0.6)
Outside the U.S. & Canada	59,167	55,280	3,887	7.0
Total	144,300	140,936	3,364	2.4

## Revenue

RE/MAX Holdings generated revenue of \$88.9 million in the third quarter of 2022, a decrease of \$2.1 million, or 2.3%, compared to \$91.0 million in the third quarter of 2021. Revenue excluding the Marketing Funds was \$66.2 million in the third quarter of 2022, a decrease of \$1.5 million, or 2.2%, versus the same period in 2021. This decrease was attributable to negative organic revenue growth of 4.9% and adverse foreign-currency movements of 0.5%, partially offset by revenue growth of 3.2% from acquisitions. Organic growth decreased primarily due to lower broker fee revenue and an increase in recruiting incentives, partially offset by Motto growth and increased events-related revenue. Rising interest rates have adversely impacted affordability and weakened housing demand resulting in fewer transactions and, by extension, lower broker fee revenue. Revenue growth from acquisitions was attributable to revenue from the RE/MAX INTEGRA North American regions ("INTEGRA") acquisition completed in July 2021.

Recurring revenue streams, which consist of continuing franchise fees and annual dues, increased \$0.8 million, or 1.9%, compared to the third quarter of 2021 and accounted for 63.8% of Revenue excluding the Marketing Funds in the third quarter of 2022 compared to 61.2% of Revenue excluding the Marketing Funds in the prior-year period.

## Operating Expenses

Total operating expenses were \$83.7 million for the third quarter of 2022, a decrease of \$44.9 million, or 34.9%, compared to \$128.6 million in the third quarter of 2021. Third quarter 2022 total operating expenses decreased primarily due to higher settlement and impairment charges incurred in the prior year period. Third quarter 2021 settlement and impairment charges were higher primarily due to the recognition of a \$40.5 million loss on the effective settlement of the pre-existing master franchise contracts, which had royalty rates below the current market rate, in conjunction with the INTEGRA acquisition. The loss represents the difference between previously contracted royalty rates and the current market rate.

Selling, operating and administrative expenses were \$49.7 million in the third quarter of 2022, a decrease of \$1.4 million, or 2.7%, compared to the third quarter of 2021 and represented 75.1% of Revenue excluding the Marketing Funds, compared to 75.4% in the prior-year period. Third quarter 2022 selling, operating and administrative expenses decreased primarily due to lower acquisition-related expenses, lower personnel expenses excluding restructuring charges, and reduced headcount, partially offset by restructuring charges, increased travel and events expenses, and higher legal expenses.

## Net Income and GAAP EPS

Net income attributable to RE/MAX Holdings was \$0.1 million for the third quarter of 2022 compared to net loss of \$25.1 million for the third quarter of 2021. Reported basic and diluted GAAP income per share were each \$0.01 for the third quarter of 2022 compared to basic and diluted GAAP loss per share of \$1.34 each in the third quarter of 2021.

#### Adjusted EBITDA and Adjusted EPS

Adjusted EBITDA was \$31.5 million for the third quarter of 2022, a decrease of \$3.3 million, or 9.5%, compared to the third quarter of 2021. Third quarter 2022 Adjusted EBITDA decreased primarily due to lower revenue resulting from lower broker fee revenue and increased legal and bad debt expenses, partially offset by lower personnel expenses excluding restructuring charges and contributions from the INTEGRA acquisition. Adjusted EBITDA margin was 35.4% in the third quarter of 2022, compared to 38.2% in the third quarter of 2021.

Adjusted basic and diluted EPS were each \$0.56 for the third quarter of 2022 compared to Adjusted basic and diluted EPS of \$0.71 each for the third quarter of 2021. The ownership structure used to calculate Adjusted basic and diluted EPS for the quarter ended September 30, 2022 assumes RE/MAX Holdings owned 100% of RMCO, LLC ("RMCO"). The weighted average ownership RE/MAX Holdings had in RMCO was 59.8% for the quarter ended September 30, 2022.

#### Balance Sheet

As of September 30, 2022, the Company had cash and cash equivalents of \$117.9 million, a decrease of \$8.4 million from December 31, 2021. As of September 30, 2022, the Company had \$449.3 million of outstanding debt, net of an unamortized debt discount and issuance costs, compared to \$452.1 million as of December 31, 2021.

#### Dividend

On November 2, 2022, 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 November 30, 2022, to shareholders of record at the close of business on November 16, 2022.

#### Share Repurchases and Retirement

As previously disclosed, in January 2022 the Company's Board of Directors authorized a common stock repurchase program of up to \$100 million. During the three months ended September 30, 2022, 507,980 shares were repurchased and retired for \$11.9 million excluding commissions, at an average price of \$23.48 per share.

During the nine months ended September 30, 2022, 995,176 shares of the Company's Class A common stock were repurchased and retired for \$23.8 million excluding commissions, at an average price of \$23.91 per share. As of September 30, 2022, \$76.2 million remained available under the share repurchase program.

## Outlook

The Company's fourth quarter and full-year 2022 Outlook assumes no further currency movements, acquisitions or divestitures.

For the fourth quarter of 2022, RE/MAX Holdings expects:

- Agent count to increase 1.0% to 2.0% over fourth quarter 2021;
- Revenue in a range of \$80.0 million to \$85.0 million (including revenue from the Marketing Funds in a range of \$21.5 million to \$23.5 million); and
- Adjusted EBITDA in a range of \$23.0 million to \$27.0 million.

For the full-year 2022, the Company is reducing its guidance to reflect current housing market conditions and other related macroeconomic trends. The Company expects:

- Agent count to increase 1.0% to 2.0% over full-year 2021, down from 1.0% to 2.5%;
- Revenue in a range of \$352.0 million to \$357.0 million (including revenue from the Marketing Funds in a range of \$90.0 million to \$92.0 million), down from \$354.0 million to \$364.0 million (including revenue from the Marketing Funds in a range of \$90.0 million to \$93.0 million); and
- Adjusted EBITDA in a range of \$118.0 million to \$122.0 million, down from \$123.0 million to \$128.0 million.

## Webcast and Conference Call

The Company will host a conference call for interested parties on Friday, November 4, 2022, beginning at 8:30 a.m. Eastern Time. Interested parties can register in advance for the conference call using the link below:

**<https://conferencingportals.com/event/tTSuEepd>**

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

## Basis of Presentation

Unless otherwise noted, the results presented in this press release are consolidated and exclude adjustments

attributable to the non-controlling interest.

## Footnotes:

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

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### Revenue excluding the Marketing Funds:

Total revenue

Less: Marketing Funds fees

Revenue excluding the Marketing Funds

Three Months Ended September 30,		Nine Months Ended September 30,	
2022	2021	2022	2021
\$ 88,943	\$ 90,997	\$ 272,119	\$ 240,538
22,736	23,269	68,496	59,456
<u>\$ 66,207</u>	<u>\$ 67,728</u>	<u>\$ 203,623</u>	<u>\$ 181,082</u>

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

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

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

## About RE/MAX Holdings, Inc.

RE/MAX Holdings, Inc. (NYSE: RMAX) is one of the world's leading franchisors in the real estate industry, franchising real estate brokerages globally under the RE/MAX® brand, and mortgage brokerages within the U.S. under the Motto® Mortgage brand. RE/MAX was founded in 1973 by Dave and Gail Liniger, with an innovative, entrepreneurial culture affording its agents and franchisees the flexibility to operate their businesses with great independence. Now with more than 140,000 agents in almost 9,000 offices and a presence in over 110 countries

and territories, nobody in the world sells more real estate than RE/MAX, as measured by total residential transaction sides. Dedicated to innovation and change in the real estate industry, RE/MAX launched Motto Franchising, LLC, a ground-breaking mortgage brokerage franchisor, in 2016. Motto Mortgage, the first-and-only national mortgage brokerage franchise brand in the U.S., has grown to over 200 offices across almost 40 states.

## Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as "believe," "intend," "expect," "estimate," "plan," "outlook," "project," "anticipate," "may," "will," "would" and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to agent count; franchise sales; revenue; RE/MAX agent productivity; operating expenses; the Company's outlook for the fourth quarter and full year 2022; non-GAAP financial measures; housing and mortgage market conditions; strategic initiatives; growth; the Company's belief that its business model provides resilience and insulation from the impact of shifting housing conditions; and the Company's position in the next phase of the housing cycle. 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.

TABLE 1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Continuing franchise fees	\$ 33,310	\$ 32,464	\$ 100,937	\$ 84,793
Annual dues	8,911	8,967	26,847	26,508
Broker fees	16,596	19,245	50,998	48,651
Marketing Funds fees	22,736	23,269	68,496	59,456
Franchise sales and other revenue	7,390	7,052	24,841	21,130
Total revenue	88,943	90,997	272,119	240,538
Operating expenses:				
Selling, operating and administrative expenses	49,702	51,099	138,314	133,591
Marketing Funds expenses	22,736	23,269	68,496	59,456
Depreciation and amortization	8,757	8,582	26,855	22,236
Settlement and impairment charges	2,513	45,623	8,708	45,623
Total operating expenses	83,708	128,573	242,373	260,906
Operating income (loss)	5,235	(37,576)	29,746	(20,368)
Other expenses, net:				
Interest expense	(5,729)	(3,315)	(13,412)	(7,537)
Interest income	497	19	675	201
Foreign currency transaction gains (losses)	(360)	(435)	(340)	(818)
Loss on early extinguishment of debt	—	(264)	—	(264)
Total other expenses, net	(5,592)	(3,995)	(13,077)	(8,418)
Income (loss) before provision for income taxes	(357)	(41,571)	16,669	(28,786)
Provision for income taxes	(553)	(792)	(4,359)	(1,454)
Net income (loss)	\$ (910)	\$ (42,363)	\$ 12,310	\$ (30,240)
Less: net income (loss) attributable to non-controlling interest	(1,050)	(17,214)	4,890	(11,515)
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ 140	\$ (25,149)	\$ 7,420	\$ (18,725)
Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock				
Basic	\$ 0.01	\$ (1.34)	\$ 0.39	\$ (1.00)
Diluted	\$ 0.01	\$ (1.34)	\$ 0.39	\$ (1.00)
Weighted average shares of Class A common stock outstanding				
Basic	18,646,306	18,739,564	18,859,376	18,651,858
Diluted	18,876,863	18,739,564	19,080,605	18,651,858
Cash dividends declared per share of Class A common stock	\$ 0.23	\$ 0.23	\$ 0.69	\$ 0.69

TABLE 2

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



(Unaudited)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 117,899	\$ 126,270
Restricted cash	31,399	32,129
Accounts and notes receivable, current portion, net of allowances	34,484	34,611
Income taxes receivable	2,781	1,754
Other current assets	20,112	16,010
Total current assets	206,675	210,774
Property and equipment, net of accumulated depreciation	9,759	12,686
Operating lease right of use assets	26,864	36,523
Franchise agreements, net	124,521	143,832
Other intangible assets, net	28,518	32,530
Goodwill	265,090	269,115
Deferred tax assets, net	52,546	51,314
Income taxes receivable, net of current portion	754	1,803
Other assets, net of current portion	11,828	17,556
Total assets	\$ 726,555	\$ 776,133
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 7,969	\$ 5,189
Accrued liabilities	76,496	96,768
Income taxes payable	2,424	2,546
Deferred revenue	25,537	27,178
Current portion of debt	4,600	4,600
Current portion of payable pursuant to tax receivable agreements	3,672	3,610
Operating lease liabilities	6,863	6,328
Total current liabilities	127,561	146,219
Debt, net of current portion	444,653	447,459
Payable pursuant to tax receivable agreements, net of current portion	26,856	26,893
Deferred tax liabilities, net	14,152	14,699
Deferred revenue, net of current portion	18,467	18,929
Operating lease liabilities, net of current portion	39,802	45,948
Other liabilities, net of current portion	8,376	6,919
Total liabilities	679,867	707,066
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value \$.0001 per share, 180,000,000 shares authorized; 18,390,142 and 18,806,194 shares issued and outstanding as of September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	532,264	515,443
Accumulated deficit	(38,165)	(7,821)
Accumulated other comprehensive income, net of tax	(877)	650
Total stockholders' equity attributable to RE/MAX Holdings, Inc.	493,224	508,274
Non-controlling interest	(446,536)	(439,207)
Total stockholders' equity	46,688	69,067
Total liabilities and stockholders' equity	\$ 726,555	\$ 776,133

TABLE 3

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

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 12,310	\$ (30,240)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	-----	-----

Depreciation and amortization	26,855	22,236
Impairment charge - leased assets	6,248	—
Impairment charge - goodwill	—	5,123
Non-cash loss on lease termination	1,175	—
Bad debt expense	1,256	(208)
Loss (gain) on sale or disposition of assets, net	1,314	(10)
Loss on early extinguishment of debt	—	264
Equity-based compensation expense	18,006	27,315
Deferred income tax expense (benefit)	(41)	(1,869)
Fair value adjustments to contingent consideration	1,303	330
Non-cash lease expense (benefit)	(1,539)	(984)
Other, net	714	463
Changes in operating assets and liabilities	(6,215)	(5,776)
Net cash provided by operating activities	<u>61,386</u>	<u>16,644</u>
Cash flows from investing activities:		
Purchases of property, equipment and capitalization of software	(7,950)	(12,069)
Acquisitions, net of cash, cash equivalents and restricted cash acquired of \$14.1 million in the prior year	—	(180,402)
Other	(1,915)	—
Net cash used in investing activities	<u>(9,865)</u>	<u>(192,471)</u>
Cash flows from financing activities:		
Proceeds from the issuance of debt	—	458,850
Payments on debt	(3,450)	(226,240)
Capitalized debt amendment costs	—	(3,871)
Distributions paid to non-controlling unitholders	(10,923)	(10,780)
Dividends and dividend equivalents paid to Class A common stockholders	(13,969)	(13,488)
Payments related to tax withholding for share-based compensation	(6,356)	(5,329)
Common shares repurchased	(23,795)	—
Payment of contingent consideration	(120)	—
Net cash (used in) provided by financing activities	<u>(58,613)</u>	<u>199,142</u>
Effect of exchange rate changes on cash	<u>(2,009)</u>	<u>54</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(9,101)</u>	<u>23,369</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>158,399</u>	<u>121,227</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 149,298</u>	<u>\$ 144,596</u>

TABLE 4

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

	As of							
	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	52,804	53,415	53,338	53,946	54,578	48,025	48,041	48,212
Independent								
Regions	7,311	7,410	7,379	7,381	7,429	14,403	14,220	14,091
U.S. Total	<u>60,115</u>	<u>60,825</u>	<u>60,717</u>	<u>61,327</u>	<u>62,007</u>	<u>62,428</u>	<u>62,261</u>	<u>62,303</u>
Canada								
Company-Owned								
Regions	20,174	20,098	19,751	19,596	19,207	6,387	6,262	6,182
Independent								
Regions	4,844	4,756	4,692	4,548	4,442	16,679	16,248	15,765
Canada								
Total	<u>25,018</u>	<u>24,854</u>	<u>24,443</u>	<u>24,144</u>	<u>23,649</u>	<u>23,066</u>	<u>22,510</u>	<u>21,947</u>
U.S. and								
Canada								
Total	<u>85,133</u>	<u>85,679</u>	<u>85,160</u>	<u>85,471</u>	<u>85,656</u>	<u>85,494</u>	<u>84,771</u>	<u>84,250</u>
Outside U.S.								
and Canada								
Independent								
Regions	59,167	58,260	57,245	56,527	55,280	54,707	55,443	53,542
Outside								

U.S. and Canada Total	59,167	58,260	57,245	56,527	55,280	54,707	55,443	53,542
Total	<u>144,300</u>	<u>143,939</u>	<u>142,405</u>	<u>141,998</u>	<u>140,936</u>	<u>140,201</u>	<u>140,214</u>	<u>137,792</u>

TABLE 5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (910)	\$ (42,363)	\$ 12,310	\$ (30,240)
Depreciation and amortization	8,757	8,582	26,855	22,236
Interest expense	5,729	3,315	13,412	7,537
Interest income	(497)	(19)	(675)	(201)
Provision for income taxes	553	792	4,359	1,454
EBITDA	13,632	(29,693)	56,261	786
Loss on contract settlement (1)	—	40,500	—	40,500
Loss on extinguishment of debt (2)	—	264	—	264
Impairment charge - leased assets (3)	2,513	—	6,248	—
Impairment charge - goodwill (4)	—	5,123	—	5,123
Loss on lease termination (5)	—	—	2,460	—
Equity-based compensation expense	7,834	9,008	18,006	27,315
Acquisition-related expense (6)	412	9,432	1,997	14,303
Fair value adjustments to contingent consideration (7)	(692)	320	1,303	330
Restructuring charges (8)	8,092	—	8,092	—
Other (9)	(308)	(154)	727	(104)
Adjusted EBITDA (10)	<u>\$ 31,483</u>	<u>\$ 34,800</u>	<u>\$ 95,094</u>	<u>\$ 88,517</u>
Adjusted EBITDA Margin (10)	<u>35.4 %</u>	<u>38.2 %</u>	<u>34.9 %</u>	<u>36.8 %</u>

- (1) Represents the effective settlement of the pre-existing master franchise agreement 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 a portion of the Company's corporate headquarters office building.
- (4) 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 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 third quarter of 2022, the Company incurred expenses related to a restructuring of the business and technology offerings, including \$6.9 million of severance and related expenses and a \$1.2 million write off of capitalized software development costs.
- (9) Includes the results of Gadberry Group, the net assets of which are held for sale.
- (10) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

TABLE 6

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (910)	\$ (42,363)	\$ 12,310	\$ (30,240)
Amortization of acquired intangible assets	5,819	6,213	18,553	15,578
Provision for income taxes	553	792	4,359	1,454
Add-backs:				
Loss on contract settlement (1)	—	40,500	—	40,500
Loss on extinguishment of debt (2)	—	264	—	264
Impairment charge - leased assets (3)	2,513	—	6,248	—
Impairment charge - goodwill (4)	—	5,123	—	5,123
Loss on lease termination (5)	—	—	2,460	—
Equity-based compensation expense	7,834	9,008	18,006	27,315
Acquisition-related expense (6)	412	9,432	1,997	14,303
Fair value adjustments to contingent consideration (7)	(692)	320	1,303	330
Restructuring charges(8)	8,092	—	8,092	—
Other (9)	(308)	(154)	727	(104)
Adjusted pre-tax net income	23,313	29,135	74,055	74,523
Less: Provision for income taxes at 25% and 24%, respectively (10)	(5,828)	(6,992)	(18,514)	(17,886)
Adjusted net income (11)	\$ 17,485	\$ 22,143	\$ 55,541	\$ 56,637
Total basic pro forma shares outstanding	31,205,906	31,299,164	31,418,976	31,211,458
Total diluted pro forma shares outstanding	31,436,463	31,299,164	31,640,205	31,211,458
Adjusted net income basic earnings per share (11)	\$ 0.56	\$ 0.71	\$ 1.77	\$ 1.81
Adjusted net income diluted earnings per share (11)	\$ 0.56	\$ 0.71	\$ 1.76	\$ 1.81

- (1) Represents the effective settlement of the pre-existing master franchise agreement 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 a portion of the Company's corporate headquarters office building.
- (4) 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 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 third quarter of 2022, the Company incurred expenses related to a restructuring of the business and technology offerings, including \$6.9 million of severance and related expenses and a \$1.2 million write off of capitalized software development costs.
- (9) Includes the results of Gadberry Group, the net assets of which are held for sale.
- (10) 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 the time of such exchange and the calculation is impracticable, and (c) increased to 25% due to the INTEGRA acquisition in 2021.
- (11) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

TABLE 7

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total basic weighted average shares outstanding:				
Weighted average shares of Class A common stock outstanding	18,646,306	18,739,564	18,859,376	18,651,858
Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO	<u>12,559,600</u>	<u>12,559,600</u>	<u>12,559,600</u>	<u>12,559,600</u>
Total basic pro forma weighted average shares outstanding	<u>31,205,906</u>	<u>31,299,164</u>	<u>31,418,976</u>	<u>31,211,458</u>
Total diluted weighted average shares outstanding:				
Weighted average shares of Class A common stock outstanding	18,646,306	18,739,564	18,859,376	18,651,858
Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO	<u>12,559,600</u>	<u>12,559,600</u>	<u>12,559,600</u>	<u>12,559,600</u>
Dilutive effect of unvested restricted stock units (1)	<u>230,557</u>	<u>—</u>	<u>221,229</u>	<u>—</u>
Total diluted pro forma weighted average shares outstanding	<u>31,436,463</u>	<u>31,299,164</u>	<u>31,640,205</u>	<u>31,211,458</u>

(1) In accordance with the treasury stock method.

TABLE 8

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

	Nine Months Ended September 30,	
	2022	2021
Cash flow from operations	\$ 61,386	\$ 16,644
Less: Purchases of property, equipment and capitalization of software	(7,950)	(12,069)
(Increases) decreases in restricted cash of the Marketing Funds (1)	<u>730</u>	<u>(5,278)</u>
Adjusted free cash flow (2)	54,166	(703)
Adjusted free cash flow (2)	54,166	(703)
Less: Tax/Other non-dividend distributions to RIHI	<u>(2,256)</u>	<u>(2,113)</u>
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	51,910	(2,816)
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	51,910	(2,816)
Less: Debt principal payments	<u>(3,450)</u>	<u>(2,403)</u>
Unencumbered cash generated (2)	<u>\$ 48,460</u>	<u>\$ (5,219)</u>
<u>Summary</u>		
Cash flow from operations	\$ 61,386	\$ 16,644

Adjusted free cash flow (2)	\$	54,166	\$	(703)
Adjusted free cash flow after tax/non-dividend distributions to RIHI (2)	\$	51,910	\$	(2,816)
Unencumbered cash generated (2)	\$	48,460	\$	(5,219)
Adjusted EBITDA (2)	\$	95,094	\$	88,517
Adjusted free cash flow as % of Adjusted EBITDA (2)		57.0 %		(0.8) %
Adjusted free cash flow less distributions to RIHI as % of Adjusted EBITDA (2)		54.6 %		(3.2) %
Unencumbered cash generated as % of Adjusted EBITDA (2)		51.0 %		(5.9) %

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

## Non-GAAP Financial Measures

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

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

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

Because Adjusted EBITDA 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;
- 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.



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.

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