

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

Form 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 25, 2021

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

Delaware
(State or other jurisdiction of
incorporation or organization)

001-36101
(Commission
File Number)

80-0937145
(IRS Employer
Identification No.)

5075 South Syracuse Street
Denver, Colorado 80237
(Address of principal executive offices, including Zip code)

(303) 770-5531
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|--|-------------------|---|
| Class A Common Stock \$0.0001 par value per share | RMAX | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Conditions. *

On February 25, 2021, RE/MAX Holdings, Inc. issued a press release announcing its financial results for the quarter and full year ended December 31, 2020. The full text of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits. *

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Press Release issued on February 25, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

The information contained in Items 2.02 and 9.01 of this Current Report on Form 8-K is being “furnished” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any registration statement or other filings of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be set forth by specific reference in such filing.

SIGNATURES

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

RE/MAX HOLDINGS, INC.

Date: February 25, 2021

By: /s/ Karri Callahan
Karri Callahan
Chief Financial Officer

RE/MAX Holdings, Inc. Reports Fourth Quarter and Full-Year 2020 Results

DENVER, Feb. 25, 2021 /PRNewswire/ --

Full-Year 2020 Highlights*(Compared to full-year 2019 unless otherwise noted)*

- Total agent count increased 5.3% to 137,792 agents
- U.S. and Canada combined agent count decreased 0.5% to 84,250 agents
- Total open Motto Mortgage franchises increased 27.0% to 141 offices¹
- Total Revenue of \$266.0 million; Revenue excluding the Marketing Funds decreased 4.0% to \$201.6 million
- Net income attributable to RE/MAX Holdings, Inc. of \$11.0 million and earnings per diluted share (GAAP EPS) of \$0.60
- Adjusted EBITDA² of \$92.6 million, Adjusted EBITDA margin² of 34.8% and Adjusted earnings per diluted share (Adjusted EPS²) of \$1.88

Fourth Quarter 2020 Highlights*(Compared to fourth quarter 2019 unless otherwise noted)*

- Total Revenue of \$72.4 million; Revenue excluding the Marketing Funds increased 7.6% to \$54.6 million
- Net income attributable to RE/MAX Holdings, Inc. of \$1.3 million and earnings per diluted share (GAAP EPS) of \$0.07
- Adjusted EBITDA² of \$23.8 million, Adjusted EBITDA margin² of 32.8% and Adjusted earnings per diluted share (Adjusted EPS²) of \$0.47

Operating Statistics as of January 31, 2021*(Compared to January 31, 2020 unless otherwise noted)*

- Total agent count increased 5.3% to 137,742 agents
- U.S. and Canada combined agent count decreased 112 agents to 83,991 agents
- Total open Motto Mortgage franchises increased 21.4% to 142 offices¹

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 national mortgage brokerage franchise brand in the U.S., today announced operating results for the full year and fourth quarter ended December 31, 2020.

"A surging housing market underpinned strong fourth quarter results and provided a nice tailwind heading into 2021," stated Adam Contos, RE/MAX Holdings Chief Executive Officer. "Despite the pandemic, we delivered good organic growth, resulting in better-than-expected fourth-quarter revenue and profit, as well as robust free cash flow generation. Overall RE/MAX agent count and Motto franchise sales continued to grow in the fourth quarter, with our Canadian agent count increasing nicely during the period. Agent count outside the U.S. and Canada also accelerated during the fourth quarter and grew an impressive 16% year-over-year. Motto Mortgage had an especially memorable year and finished off strong. We sold over 70 Motto franchises during 2020, a record, and over 35% higher than in 2019."

Contos continued, "We expect the macro housing environment will remain buoyant in the coming year with ongoing amplified demand continuing to outpace supply. The battle for listings will stay highly competitive, and agents who are experienced, productive and armed with seller-focused tools, such as our First app, should enjoy an edge in that regard. We continue to support the productivity of our networks by enhancing our value proposition and strengthening our technology and data core. At the same time, we are also creating additional promising revenue possibilities, both by organic means and through strategic acquisitions, such as wemlo and Gadberry Group. Overall, we believe we are poised for meaningful growth in 2021 and beyond."

Fourth Quarter 2020 Operating Results*Agent Count*

The following table compares agent count as of December 31, 2020 and 2019:

| | <u>As of December 31,</u> | | <u>Change</u> | |
|---------------------------|---------------------------|----------------|---------------|----------|
| | <u>2020</u> | <u>2019</u> | <u>#</u> | <u>%</u> |
| U.S. | 62,303 | 63,121 | (818) | (1.3) |
| Canada | 21,947 | 21,567 | 380 | 1.8 |
| Subtotal | 84,250 | 84,688 | (438) | (0.5) |
| Outside the U.S. & Canada | 53,542 | 46,201 | 7,341 | 15.9 |
| Total | <u>137,792</u> | <u>130,889</u> | <u>6,903</u> | 5.3 |

Revenue

RE/MAX Holdings generated total revenue of \$72.4 million in the fourth quarter of 2020, an increase of \$4.3 million, or 6.2%, compared to \$68.2 million in the fourth quarter of 2019. Total revenue grew primarily due to increased broker fees stemming from higher existing home sales and rising home prices, incremental revenue from acquisitions, and Motto growth, partially offset by less events-related revenue due to COVID-19 restrictions and by previously announced agent recruiting initiatives that reduced both continuing franchise fees and Marketing Funds fees. Recurring revenue streams, which consist of continuing franchise fees and annual dues, were essentially flat compared to the fourth quarter of 2019 and accounts for 61.8% of revenue (excluding the Marketing Funds) in the fourth quarter of 2020, compared to 66.6% in the comparable period in 2019.

Operating Expenses

Total operating expenses were \$65.7 million for the fourth quarter of 2020, an increase of \$7.5 million, or 12.9%, compared to \$58.2 million in the fourth quarter of 2019. Fourth quarter total operating expenses increased primarily due to higher selling, operating and administrative expenses and increased depreciation and amortization expenses. Excluding the Marketing Funds, fourth quarter 2020 operating expenses totaled \$47.9 million, an increase of \$7.1 million or 17.4% compared to \$40.8 million in the fourth quarter of 2019.

Selling, operating and administrative expenses were \$40.8 million in the fourth quarter of 2020, an increase of \$5.6 million, or 15.9%, compared to the fourth quarter of 2019 and,

excluding the Marketing Funds, represented 74.6% of revenue, compared to 69.2% in the prior-year period. Selling, operating and administrative expenses increased primarily due to higher equity-based compensation expense, discretionary bonuses, and increased personnel costs largely from acquisitions, partially offset by cost-savings measures implemented in 2020, including a reduction in travel and events spend and the temporary suspension of the Company's 401(k) match, as well as lower bad debt expense due to strong collections.

Depreciation and amortization expenses increased primarily due to placing the booj Platform in service and additional acquisition-related amortization expense from the acquisitions of First, wemlo and Gadberry Group.

Net Income and GAAP EPS

Net income attributable to RE/MAX Holdings was \$1.3 million for the fourth quarter of 2020, a decrease of \$1.6 million compared to the fourth quarter of 2019. Reported basic and diluted GAAP EPS were each \$0.07, respectively, for the fourth quarter of 2020 compared to \$0.16 each in the fourth quarter of 2019.

Adjusted EBITDA and Adjusted EPS

Adjusted EBITDA was \$23.8 million for the fourth quarter of 2020, an increase of \$1.3 million or 5.7% from the fourth quarter of 2019. Adjusted EBITDA increased primarily due to higher broker fee revenue from increased existing home sales and rising home prices, the Company's cost-savings measures and lower bad debt expense, partially offset by discretionary bonuses and increased personnel costs largely from the acquisitions. Adjusted EBITDA margin was 32.8% in the fourth quarter of 2020, down slightly compared to 33.0% in the fourth quarter of 2019.

Adjusted basic and diluted EPS were \$0.48 and \$0.47, respectively, for the fourth quarter of 2020 compared to adjusted diluted and basic EPS of \$0.47 for the fourth quarter of 2019. The ownership structure used to calculate Adjusted basic and diluted EPS for the quarter ended December 31, 2020 assumes RE/MAX Holdings owned 100% of RMCO, LLC ("RMCO"). The weighted average ownership RE/MAX Holdings had in RMCO was 59.4% for the quarter ended December 31, 2020.

Balance Sheet

As of December 31, 2020, the Company had cash and cash equivalents of \$101.4 million, an increase of \$18.4 million from December 31, 2019. As of December 31, 2020, the Company had \$223.6 million of outstanding debt, net of an unamortized debt discount and issuance costs, a decrease of \$2.1 million compared to \$225.7 million as of December 31, 2019.

Dividend

On February 17, 2021, the Company's 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 17, 2021, to shareholders of record at the close of business on March 3, 2021.

Outlook

The Company's first quarter and full-year 2021 Outlook assumes no further currency movements, acquisitions or divestitures.

For the first quarter of 2021, RE/MAX Holdings expects:

- Agent count to increase 4.5% to 5.5% over first quarter 2020;
- Revenue in a range of \$71.0 million to \$75.0 million (including revenue from the Marketing Funds in a range of \$18.0 million to \$19.0 million); and
- Adjusted EBITDA in a range of \$21.5 million to \$24.5 million.

For the full-year 2021, RE/MAX Holdings expects:

- Agent count to increase 4.0% to 5.0% over full-year 2020;
- Revenue in a range of \$300.0 million to \$310.0 million (including revenue from the Marketing Funds in a range of \$71.0 million to \$74.0 million), and
- Adjusted EBITDA in a range of \$103.0 million to \$107.0 million.

The effective U.S. GAAP tax rate attributable to RE/MAX Holdings is estimated to be between 22% and 24% in 2021.

Webcast and Conference Call

The Company will host a conference call for interested parties on Friday, February 26, 2021, beginning at 8:30 a.m. Eastern Time. Interested parties can access the conference call using the link below:

<http://www.directeventreg.com/registration/event/4038718>

Interested parties can access a live webcast through the Investor Relations section of the Company's website at <http://investors.remax.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:

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 "Branchises".

²Adjusted 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.

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, a mortgage brokerages within the U.S. under the Motto[®] Mortgage brand. RE/MAX was founded in 1973 by David 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 135,000 agents across 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 has grown to over 125 offices across more than 30 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; operating expenses; the Company's outlook for the first quarter and full year 2021; dividends; non-GAAP financial measures; estimated effective tax rates for 2021; housing and mortgage market conditions, including demand and supply; the competition for listings; the advantages RE/MAX agents have over competitor; additional revenue opportunities, including through acquisitions; the enhancement of the Company's value proposition and strengthening of its technology and data core; and the Company's strategic and operating plans and business models. 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 the global COVID-19 pandemic, which continues to pose significant and widespread risks to the Company's business, including the Company's agents, loan originators, franchisees and employees, as well as home buyers and sellers. The duration and magnitude of the impact from the COVID-19 pandemic depends on future developments that cannot be predicted at this time. The Company has already experienced significant disruption to its business as a result of the COVID-19 pandemic and such disruptions may continue. Notwithstanding any mitigation actions the Company has initiated and expects to continue as the crisis is ongoing, sustained material revenue declines relating to this crisis could impact the Company's financial condition, results of operations, stock price and ability to access the capital markets. Other important risks and uncertainties include, without limitation, (1) changes in the real estate market or interest rates and availability of financing, (2) changes in business and economic activity in general, (3) the Company's ability to attract and retain quality franchisees, (4) the Company's franchisees' ability to recruit and retain real estate agents and mortgage loan originators, (5) changes in laws and regulations, (6) the Company's ability to enhance, market, and protect the RE/MAX and Motto Mortgage brands, (7) the Company's ability to implement its technology initiatives, and (8) fluctuations in foreign currency exchange rates, and 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.remax.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.

TABLE 1

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

| | Three Months Ended | | Year Ended | |
|--|--------------------|-----------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Revenue: | | | | |
| Continuing franchise fees | \$ 24,997 | \$ 24,910 | \$ 90,217 | \$ 99,928 |
| Annual dues | 8,771 | 8,901 | 35,075 | 35,409 |
| Broker fees | 14,701 | 10,651 | 50,028 | 45,990 |
| Marketing Funds fees | 17,825 | 17,433 | 64,402 | 72,299 |
| Franchise sales and other revenue | 6,155 | 6,298 | 26,279 | 28,667 |
| Total revenue | <u>72,449</u> | <u>68,193</u> | <u>266,001</u> | <u>282,293</u> |
| Operating expenses: | | | | |
| Selling, operating and administrative expenses | 40,757 | 35,151 | 128,998 | 119,232 |
| Marketing Funds expenses | 17,825 | 17,433 | 64,402 | 72,299 |
| Depreciation and amortization | 7,119 | 5,629 | 26,691 | 22,323 |
| Impairment charge - leased assets | — | — | 7,902 | — |
| Total operating expenses | <u>65,701</u> | <u>58,213</u> | <u>227,993</u> | <u>213,854</u> |
| Operating income | <u>6,748</u> | <u>9,980</u> | <u>38,008</u> | <u>68,439</u> |
| Other expenses, net: | | | | |
| Interest expense | (2,195) | (2,831) | (9,223) | (12,229) |
| Interest income | 12 | 372 | 340 | 1,446 |
| Foreign currency transaction gains (losses) | 73 | 43 | (2) | 109 |
| Total other expenses, net | <u>(2,110)</u> | <u>(2,416)</u> | <u>(8,885)</u> | <u>(10,674)</u> |
| Income before provision for income taxes | 4,638 | 7,564 | 29,123 | 57,765 |
| Provision for income taxes | <u>(2,556)</u> | <u>(2,362)</u> | <u>(9,103)</u> | <u>(10,909)</u> |
| Net income | \$ 2,082 | \$ 5,202 | \$ 20,020 | \$ 46,856 |
| Less: net income attributable to non-controlling interest | 791 | 2,314 | 9,056 | 21,816 |
| Net income attributable to RE/MAX Holdings, Inc. | <u>\$ 1,291</u> | <u>\$ 2,888</u> | <u>\$ 10,964</u> | <u>\$ 25,040</u> |
| Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock | | | | |
| Basic | \$ 0.07 | \$ 0.16 | \$ 0.60 | \$ 1.41 |
| Diluted | \$ 0.07 | \$ 0.16 | \$ 0.60 | \$ 1.40 |
| Weighted average shares of Class A common stock outstanding | | | | |
| Basic | 18,386,709 | 17,837,386 | 18,170,348 | 17,812,065 |
| Diluted | 18,748,412 | 17,978,431 | 18,324,246 | 17,867,752 |
| Cash dividends declared per share of Class A common stock | \$ 0.22 | \$ 0.21 | \$ 0.88 | \$ 0.84 |

TABLE 2

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

| | As of December 31, | |
|---------------|--------------------|------|
| | 2020 | 2019 |
| Assets | | |

| | | |
|--|-------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 101,355 | \$ 83,001 |
| Restricted cash | 19,872 | 20,600 |
| Accounts and notes receivable, current portion, less allowances of \$11,724 and \$12,538, respectively | 29,985 | 28,644 |
| Income taxes receivable | 1,222 | 896 |
| Other current assets | 13,938 | 9,638 |
| Total current assets | 166,372 | 142,779 |
| Property and equipment, net of accumulated depreciation of \$14,731 and \$14,940, respectively | 7,872 | 5,444 |
| Operating lease right of use assets | 38,878 | 51,129 |
| Franchise agreements, net | 72,196 | 87,670 |
| Other intangible assets, net | 29,969 | 32,315 |
| Goodwill | 175,835 | 159,038 |
| Deferred tax assets, net | 48,855 | 52,595 |
| Income taxes receivable, net of current portion | 1,980 | 1,690 |
| Other assets, net of current portion | 15,435 | 9,692 |
| Total assets | \$ 557,392 | \$ 542,352 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,108 | \$ 2,983 |
| Accrued liabilities | 68,571 | 60,163 |
| Income taxes payable | 9,579 | 6,854 |
| Deferred revenue | 25,282 | 25,663 |
| Current portion of debt | 2,428 | 2,648 |
| Current portion of payable pursuant to tax receivable agreements | 3,590 | 3,583 |
| Operating lease liabilities | 5,687 | 5,102 |
| Total current liabilities | 117,245 | 106,996 |
| Debt, net of current portion | 221,137 | 223,033 |
| Payable pursuant to tax receivable agreements, net of current portion | 29,974 | 33,640 |
| Deferred tax liabilities, net | 490 | 293 |
| Deferred revenue, net of current portion | 19,864 | 18,763 |
| Operating lease liabilities, net of current portion | 50,279 | 55,959 |
| Other liabilities, net of current portion | 5,722 | 5,292 |
| Total liabilities | 444,711 | 443,976 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Class A common stock, par value \$.0001 per share, 180,000,000 shares authorized; 18,390,691 and 17,838,233 shares issued and outstanding as of December 31, 2020 and 2019, respectively | 2 | 2 |
| Class B common stock, par value \$.0001 per share, 1,000 shares authorized; 1 share issued and outstanding as of December 31, 2020 and 2019, respectively | — | — |
| Additional paid-in capital | 491,422 | 466,945 |
| Retained earnings | 25,139 | 30,525 |
| Accumulated other comprehensive income, net of tax | 612 | 414 |
| Total stockholders' equity attributable to RE/MAX Holdings, Inc. | 517,175 | 497,886 |
| Non-controlling interest | (404,494) | (399,510) |
| Total stockholders' equity | 112,681 | 98,376 |
| Total liabilities and stockholders' equity | \$ 557,392 | \$ 542,352 |

TABLE 3

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

| | Year Ended | |
|---|--------------|-----------|
| | December 31, | |
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net income | \$ 20,020 | \$ 46,856 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,691 | 22,323 |
| Impairment charge - leased assets | 7,902 | — |
| Bad debt expense | 2,903 | 4,964 |
| Equity-based compensation expense | 16,267 | 10,934 |
| Deferred income tax expense | 1,840 | 2,310 |
| Fair value adjustments to contingent consideration | 814 | 241 |
| Non-cash lease expense (benefit) | (508) | — |
| Other, net | 1,051 | 1,252 |
| Changes in operating assets and liabilities | | |
| Accounts and notes receivable, current portion | (3,460) | (5,614) |
| Other current and noncurrent assets | (10,665) | (6,084) |
| Other current and noncurrent liabilities | 9,035 | 6,737 |

| | | |
|--|-------------------|-------------------|
| Payments pursuant to tax receivable agreements | (3,562) | (3,556) |
| Income taxes receivable/payable | 2,109 | 178 |
| Deferred revenue, current and noncurrent | 410 | (1,566) |
| Net cash provided by operating activities | <u>70,847</u> | <u>78,975</u> |
| Cash flows from investing activities: | | |
| Purchases of property, equipment and capitalization of software | (6,903) | (13,226) |
| Acquisitions, net of cash acquired of \$867k, \$55k and \$362k, respectively | (10,627) | (14,945) |
| Restricted cash acquired with the Marketing Funds acquisition | — | 28,495 |
| Other | — | (1,200) |
| Net cash used in investing activities | <u>(17,530)</u> | <u>(876)</u> |
| Cash flows from financing activities: | | |
| Payments on debt | (2,634) | (2,622) |
| Distributions paid to non-controlling unitholders | (14,058) | (15,430) |
| Dividends and dividend equivalents paid to Class A common stockholders | (16,354) | (15,074) |
| Payments related to tax withholding for share-based compensation | (2,544) | (1,110) |
| Payment of contingent consideration | (409) | (306) |
| Net cash used in financing activities | <u>(35,999)</u> | <u>(34,542)</u> |
| Effect of exchange rate changes on cash | 308 | 70 |
| Net increase in cash, cash equivalents and restricted cash | 17,626 | 43,627 |
| Cash, cash equivalents and restricted cash, beginning of year | 103,601 | 59,974 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 121,227</u> | <u>\$ 103,601</u> |

TABLE 4

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

| | As of | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | December 31, | September 30, | June 30, | March 31, | December 31, | September 30, | June 30, | March 31, |
| | 2020 | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 | 2019 |
| Agent Count: | | | | | | | | |
| U.S. | | | | | | | | |
| Company-Owned Regions | 48,212 | 48,263 | 47,886 | 48,840 | 49,267 | 48,576 | 48,748 | 48,904 |
| Independent Regions | 14,091 | 14,041 | 13,791 | 13,828 | 13,854 | 13,972 | 13,952 | 13,760 |
| U.S. Total | 62,303 | 62,304 | 61,677 | 62,668 | 63,121 | 62,548 | 62,700 | 62,664 |
| Canada | | | | | | | | |
| Company-Owned Regions | 6,182 | 6,135 | 6,102 | 6,217 | 6,338 | 6,402 | 6,510 | 6,549 |
| Independent Regions | 15,765 | 15,363 | 15,193 | 15,306 | 15,229 | 15,117 | 14,923 | 14,818 |
| Canada Total | 21,947 | 21,498 | 21,295 | 21,523 | 21,567 | 21,519 | 21,433 | 21,367 |
| U.S. and Canada Total | 84,250 | 83,802 | 82,972 | 84,191 | 84,688 | 84,067 | 84,133 | 84,031 |
| Outside U.S. and Canada | | | | | | | | |
| Independent Regions | 53,542 | 50,967 | 48,933 | 47,625 | 46,201 | 44,191 | 42,887 | 41,501 |
| Outside U.S. and Canada Total | 53,542 | 50,967 | 48,933 | 47,625 | 46,201 | 44,191 | 42,887 | 41,501 |
| Total | 137,792 | 134,769 | 131,905 | 131,816 | 130,889 | 128,258 | 127,020 | 125,532 |

TABLE 5

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

| | Three Months Ended | | Year Ended | |
|---|--------------------|------------------|------------------|-------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Net income | \$ 2,082 | \$ 5,202 | \$ 20,020 | \$ 46,856 |
| Depreciation and amortization | 7,119 | 5,629 | 26,691 | 22,323 |
| Interest expense | 2,195 | 2,831 | 9,223 | 12,229 |
| Interest income | (12) | (372) | (340) | (1,446) |
| Provision for income taxes | 2,556 | 2,362 | 9,103 | 10,909 |
| EBITDA | 13,940 | 15,652 | 64,697 | 90,871 |
| (Gain) loss on sale or disposition of assets | 536 | (11) | 503 | 342 |
| Impairment charge - lease assets ⁽¹⁾ | — | — | 7,902 | — |
| Equity-based compensation expense | 7,920 | 6,074 | 16,267 | 10,934 |
| Acquisition-related expense ⁽²⁾ | 460 | 859 | 2,375 | 1,127 |
| Fair value adjustments to contingent consideration ⁽³⁾ | 919 | (89) | 814 | 241 |
| Adjusted EBITDA ⁽⁴⁾ | <u>\$ 23,775</u> | <u>\$ 22,485</u> | <u>\$ 92,558</u> | <u>\$ 103,515</u> |
| Adjusted EBITDA Margin ⁽⁴⁾ | <u>32.8 %</u> | <u>33.0 %</u> | <u>34.8 %</u> | <u>36.7 %</u> |

(1) Represents the impairment recognized on a portion of our corporate headquarters office building. Lease costs are lower by \$0.1 million for the quarter and year ended December 31, 2020 as

- a result of the impairment.
- (2) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with the acquisition 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.

TABLE 6

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

| | Three Months Ended | | Year Ended | |
|--|--------------------|------------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Net income | \$ 2,082 | \$ 5,202 | \$ 20,020 | \$ 46,856 |
| Amortization of acquired intangible assets | 4,915 | 4,459 | 19,464 | 17,848 |
| Provision for income taxes | 2,556 | 2,362 | 9,103 | 10,909 |
| Add-backs: | | | | |
| (Gain) loss on sale or disposition of assets | 536 | (11) | 503 | 342 |
| Impairment charge - leased assets ⁽¹⁾ | — | — | 7,902 | — |
| Equity-based compensation expense | 7,920 | 6,074 | 16,267 | 10,934 |
| Acquisition-related expense ⁽²⁾ | 460 | 859 | 2,375 | 1,127 |
| Fair value adjustments to contingent consideration ⁽³⁾ | 919 | (89) | 814 | 241 |
| Adjusted pre-tax net income | 19,388 | 18,856 | 76,448 | 88,257 |
| Less: Provision for income taxes at 24% ⁽⁴⁾ | (4,653) | (4,525) | (18,348) | (21,182) |
| Adjusted net income ⁽⁵⁾ | \$ 14,735 | \$ 14,331 | \$ 58,100 | \$ 67,075 |
| | | | | |
| Total basic pro forma shares outstanding | 30,946,309 | 30,396,986 | 30,729,948 | 30,371,665 |
| Total diluted pro forma shares outstanding | 31,308,012 | 30,538,031 | 30,883,846 | 30,427,352 |
| | | | | |
| Adjusted net income basic earnings per share ⁽⁵⁾ | 0.48 | 0.47 | 1.89 | 2.21 |
| Adjusted net income diluted earnings per share ⁽⁵⁾ | 0.47 | 0.47 | 1.88 | 2.20 |

- (1) Represents the impairment recognized on a portion of our corporate headquarters office building. Lease costs are lower by \$0.1 million for the quarter and year ended December 31, 2020 as a result of the impairment.
- (2) Acquisition-related expense includes personnel, legal, accounting, advisory and consulting fees incurred in connection with the acquisition 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) 24% is the combined federal and state statutory rate and is an estimate of our long-term tax rate assuming the full exchange of all outstanding non-controlling interests for Class A common stock. It excludes the impacts of (a) our partnership structure, (b) unusual, non-recurring tax matters, such as the conversion of First and wemlo to LLCs, and (c) lower income for 2020 due to the pandemic.
- (5) 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 | | Year Ended | |
|--|--------------------|------------|--------------|------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Total basic weighted average shares outstanding: | | | | |
| Weighted average shares of Class A common stock outstanding | 18,386,709 | 17,837,386 | 18,170,348 | 17,812,068 |
| Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO | 12,559,600 | 12,559,600 | 12,559,600 | 12,559,600 |
| Total basic pro forma weighted average shares outstanding | 30,946,309 | 30,396,986 | 30,729,948 | 30,371,668 |
| | | | | |
| Total diluted weighted average shares outstanding: | | | | |
| Weighted average shares of Class A common stock outstanding | 18,386,709 | 17,837,386 | 18,170,348 | 17,812,068 |
| Remaining equivalent weighted average shares of stock outstanding on a pro forma basis assuming RE/MAX Holdings owned 100% of RMCO | 12,559,600 | 12,559,600 | 12,559,600 | 12,559,600 |
| Dilutive effect of unvested restricted stock units ⁽¹⁾ | 361,703 | 141,045 | 153,898 | 55,682 |
| Total diluted pro forma weighted average shares outstanding | 31,308,012 | 30,538,031 | 30,883,846 | 30,427,350 |

- (1) In accordance with the treasury stock method.

TABLE 8

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

| Year Ended | |
|--------------|------|
| December 31, | |
| 2020 | 2019 |
| | |

| | | |
|---|------------------|------------------|
| Cash flow from operations | \$ 70,847 | \$ 78,975 |
| Less: Purchases of property, equipment and capitalization of software | (6,903) | (13,226) |
| (Increases) decreases in restricted cash of the Marketing Funds ⁽¹⁾ | 728 | 7,895 |
| Free cash flow ⁽²⁾ | 64,672 | 73,644 |
| Free cash flow | 64,672 | 73,644 |
| Less: Tax/Other non-dividend distributions to RIHI | (3,006) | (4,880) |
| Free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾ | 61,666 | 68,764 |
| Free cash flow after tax/non-dividend distributions to RIHI | 61,666 | 68,764 |
| Less: Debt principal payments | (2,634) | (2,622) |
| Unencumbered cash generated ⁽²⁾ | \$ 59,032 | \$ 66,142 |

Summary

| | | |
|--|-----------|------------|
| Cash flow from operations | \$ 70,847 | \$ 78,975 |
| Free cash flow ⁽²⁾ | \$ 64,672 | \$ 73,644 |
| Free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾ | \$ 61,666 | \$ 68,764 |
| Unencumbered cash generated ⁽²⁾ | \$ 59,032 | \$ 66,142 |
| Adjusted EBITDA | \$ 92,558 | \$ 103,515 |
| Free cash flow as % of Adjusted EBITDA ⁽²⁾ | 69.9% | 71.1% |
| Free cash flow less distributions to RIHI as % of Adjusted EBITDA ⁽²⁾ | 66.6% | 66.4% |
| Unencumbered cash generated as % of Adjusted EBITDA ⁽²⁾ | 63.8% | 63.9% |

(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 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 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.

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, non-cash 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, 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;
- 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 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.

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 free cash flow is removed. The Company believes 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.

Free cash flow after tax and non-dividend distributions to RIHI is calculated as 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, 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 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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