

RE/MAX Holdings, Inc.

Third Quarter 2024 Earnings

November 1, 2024



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 and cost management; the Company’s outlook for the fourth quarter and full year 2024; non-GAAP financial measures; housing and mortgage market conditions and forecasts; the advantages and growth opportunities of the Company’s brands; the ability of RE/MAX agents to thrive in good and bad markets; and capital allocation. 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) 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 its brands, (7) the Company’s ability to implement its technology initiatives, (8) risks related to the Company’s leadership transition, (9) fluctuations in foreign currency exchange rates, (10) the nature and amount of the exclusion of charges in future periods when determining Adjusted EBITDA is subject to uncertainty and may not be similar to such charges in prior periods, and (11) those risks and uncertainties described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (“SEC”) and similar disclosures in subsequent periodic and current reports filed with the SEC, which are available on the investor relations page of the Company’s website at www.remaxholdings.com and on the SEC website at www.sec.gov. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Except as required by law, the Company does not intend, and undertakes no obligation, to update this information to reflect future events or circumstances.

Q3 2024 Highlights

Total Revenue of \$78.5 Million, Adjusted EBITDA¹ of \$27.3 Million

Q3 2024 Operating Highlights

- Total agent count increased 174 agents, or 0.1%, YoY to 145,483 agents
- Agent count in the U.S. and Canada combined decreased 4.4% to 78,201 agents
- Record agent count in both Canada and Outside of the U.S. and Canada as of September 30, 2024
- Motto open offices decreased 3.3% YoY to 234 offices²

Comparisons represent Q3 2024 versus Q3 2023 unless otherwise noted

Q3 2024 Financial Highlights

- Revenue was \$78.5 million
- Adjusted EBITDA¹ of \$27.3 million, up 2.0%
- Adjusted EBITDA Margin¹ of 34.8%
- Adjusted Diluted EPS¹ of \$0.38

Comparisons represent Q3 2024 versus Q3 2023 unless otherwise noted

¹Adjusted 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.

²Total open Motto Mortgage franchises includes only “bricks and mortar” offices with a unique physical address with rights granted by a full franchise agreement with Motto Franchising, LLC and excludes any “virtual” offices or BranchisesSM offices.

Revenue

Total Revenue down 3.4%, negative Organic Revenue growth¹ of 3.0%

Revenue (\$M)	Quarter to Date				Year to Date			
	2024	2023	Increase/(Decrease)		2024	2023	Increase/(Decrease)	
			\$	%			\$	%
Continuing franchise fees	\$30.8	\$31.8	(\$1.0)	(3.3%)	\$92.2	\$96.0	(\$3.8)	(3.9%)
Annual dues	\$8.0	\$8.5	(\$0.5)	(5.8%)	\$24.3	\$25.7	(\$1.3)	(5.1%)
Broker fees	\$14.9	\$14.3	\$0.7	4.6%	\$40.2	\$39.5	\$0.7	1.8%
Marketing Funds fees	\$20.1	\$20.9	(\$0.8)	(3.6%)	\$60.3	\$63.3	(\$2.9)	(4.6%)
Franchise sales and other revenue	\$4.7	\$5.8	(\$1.1)	(19.3%)	\$18.2	\$24.7	(\$6.5)	(26.4%)
Total Revenue	\$78.5	\$81.2	(\$2.7)	(3.4%)	\$235.2	\$249.1	(\$13.9)	(5.6%)

Note: Totals may not sum due to rounding.

For Q3 2024:

- RE/MAX Holdings generated revenue of \$78.5 million in the third quarter of 2024, a decrease of \$2.7 million, or 3.4%, compared to \$81.2 million in the third quarter of 2023. Revenue excluding the Marketing Funds² was \$58.4 million in the third quarter of 2024, a decrease of \$2.0 million, or 3.3%, versus the same period in 2023. The decrease in Revenue excluding the Marketing Funds was attributable to negative organic revenue growth of 3.0% and adverse foreign currency movements of 0.3%. Negative organic revenue growth was principally driven by a decrease in U.S. agent count and a reduction in revenue from previous acquisitions, partially offset by an increase in Broker fee revenue.
- Recurring revenue streams³, which consist of continuing franchise fees and annual dues, decreased \$1.5 million, or 3.8%, compared to the third quarter of 2023 and accounted for 66.4% of Revenue excluding the Marketing Funds in the third quarter of 2024 compared to 66.7% of Revenue excluding the Marketing Funds in the prior-year period.

¹The 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).

²Revenue 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.

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

Selling, Operating and Administrative Expenses

Total Selling, Operating and Administrative expenses decreased 16.6%

Selling, Operating & Administrative Expenses (\$M)	Quarter to Date				Year to Date			
	2024	2023	Increase/(Decrease)		2024	2023	Increase/(Decrease)	
			\$	%			\$	%
Personnel	\$23.4	\$26.9	(\$3.5)	(12.9%)	\$71.4	\$75.8	(\$4.4)	(5.8%)
Professional fees	\$2.3	\$3.7	(\$1.3)	(35.8%)	\$8.0	\$10.4	(\$2.4)	(23.0%)
Lease costs	\$1.6	\$1.8	(\$0.2)	(12.8%)	\$5.1	\$5.8	(\$0.7)	(11.8%)
Other	\$8.6	\$10.7	(\$2.1)	(20.0%)	\$31.9	\$40.4	(\$8.5)	(21.0%)
Total	\$35.9	\$43.1	(\$7.2)	(16.6%)	\$116.5	\$132.4	(\$15.9)	(12.0%)

Note: Totals may not sum due to rounding.

For Q3 2024:

- Selling, operating and administrative expenses were \$35.9 million in the third quarter of 2024, a decrease of \$7.2 million, or 16.6%, compared to the third quarter of 2023 and represented 61.5% of Revenue excluding the Marketing Funds¹, compared to 71.4% in the prior-year period.
- Third quarter 2024 selling, operating and administrative expenses decreased primarily due to lower personnel costs and a decrease in bad debt, legal, and other technology expenses.

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

Looking Ahead – Q4 2024 and FY 2024 Outlook

Q4 2024 Outlook¹

For the fourth quarter of 2024, RE/MAX Holdings expects:

- Agent count to change 0.0% to 1.0% over fourth quarter 2023;
- Revenue in a range of \$71.0 million to \$76.0 million (including revenue from the Marketing Funds in a range of \$18.5 million to \$20.5 million); and
- Adjusted EBITDA² in a range of \$20.5 million to \$23.5 million.

Full-Year 2024 Outlook¹

For the full year 2024, RE/MAX Holdings expects:

- Agent count to change 0.0% to 1.0% over full year 2023;
- Revenue in a range of \$306.0 million to \$311.0 million (including revenue from the Marketing Funds in a range of \$78.5 million to \$80.5 million); and
- Adjusted EBITDA² in a range of \$95.0 million to \$98.0 million.

¹RE/MAX Holdings fourth quarter and full-year 2024 Outlook includes the impact of the anticipated fee waivers to hurricane-impacted affiliates and assumes no further currency movements, acquisitions or divestitures.

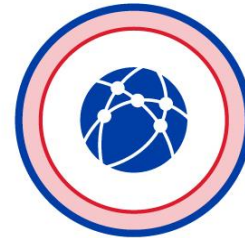
²Adjusted EBITDA is a non-GAAP measure and excludes all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.

RE/MAX Holdings, Inc.

A Leading Dual-Brand Franchisor with Compelling Growth Opportunities



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



Highly Productive Network of More Than 140,000 Agents



Most-Trusted Agents in the U.S. and Canada^{3,4}



Large Network of Offices with Nearly \$2.3 Billion in 2023 Annual Loan Volume



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



Among Top Fastest-Growing Franchises in the U.S.⁵

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

¹Source: MMR Strategy Group Study of unaided brand awareness

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

³Voted most trusted Real Estate Agency brand by American shoppers based on the BrandSpark® American Trust Study, years 2022-2024 and 2019.

⁴Voted most trusted Real Estate Agency brand by Canadian shoppers based on the BrandSpark® Canadian Trust Study, years 2021-2024, 2019 and 2017

⁵For more information on Motto awards please see www.mottomortgage.com/awards-disclaimers



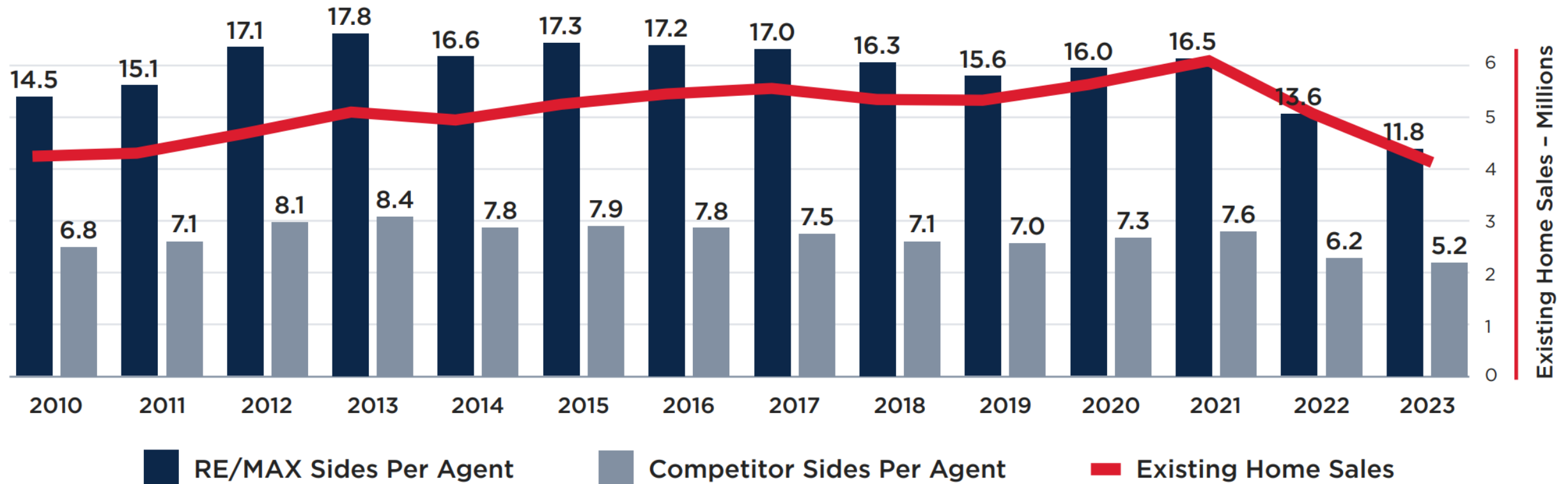


Thank You!



RE/MAX® Agents Thrive In Good & Bad Markets

U.S. Transactions Per Agent (Large Brokerages Only)

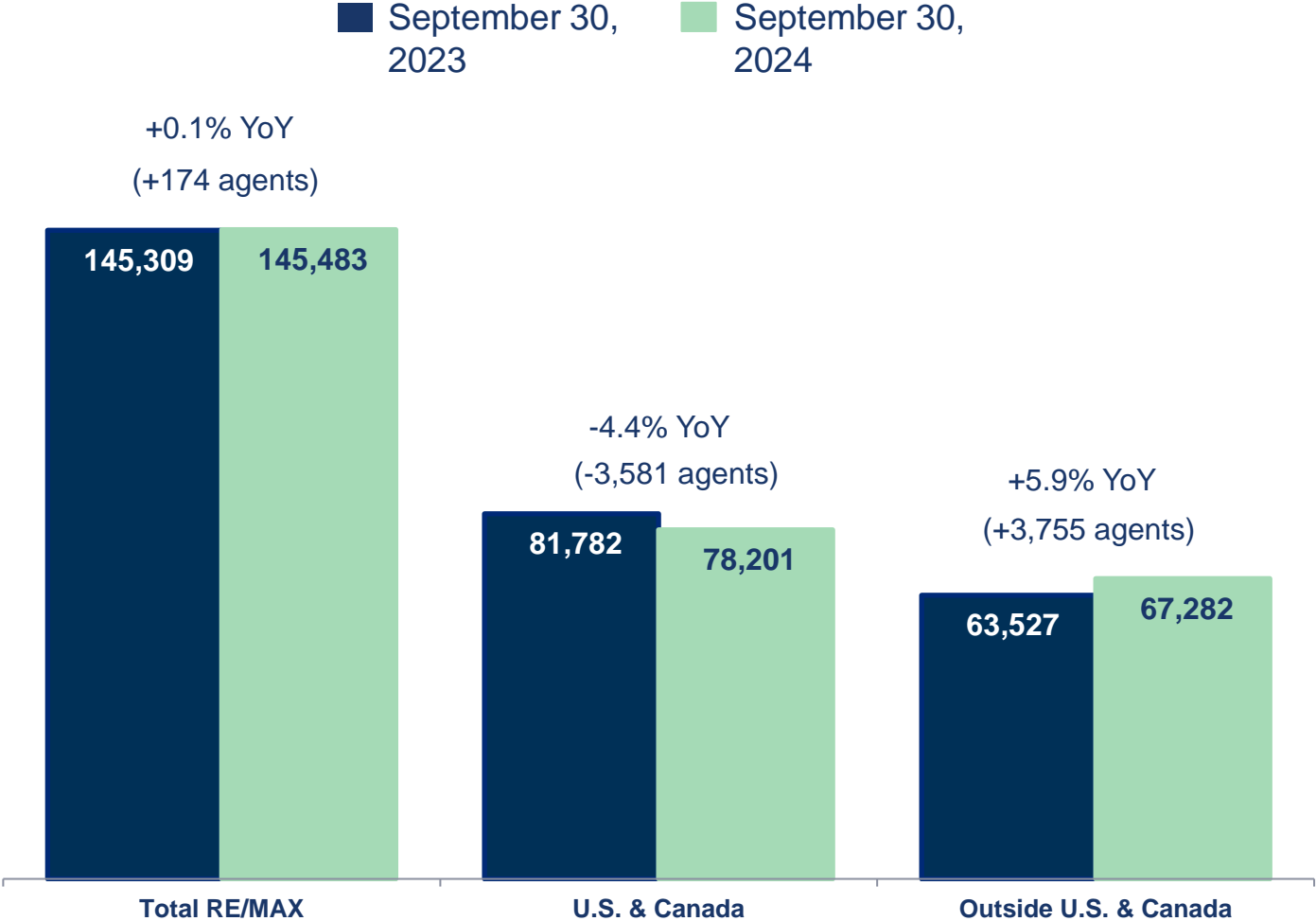


Total Agent Count

Year-over-Year Agent Count Increased 0.1%



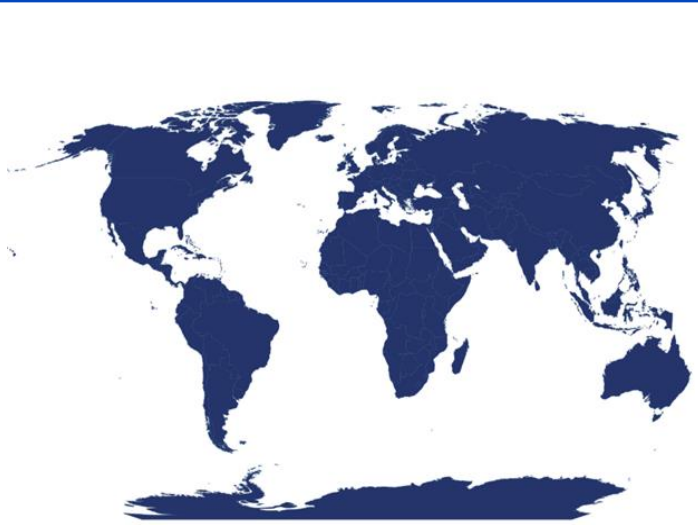
Agent Count Change Year-over-Year



Agent Count Change Year-over-Year

September 30, 2024, over September 30, 2023

Agents Outside U.S. & Canada



+5.9%
(+3,755 Agents)



Record Agent Count of 67,282
as of September 30, 2024

Agents in Canada

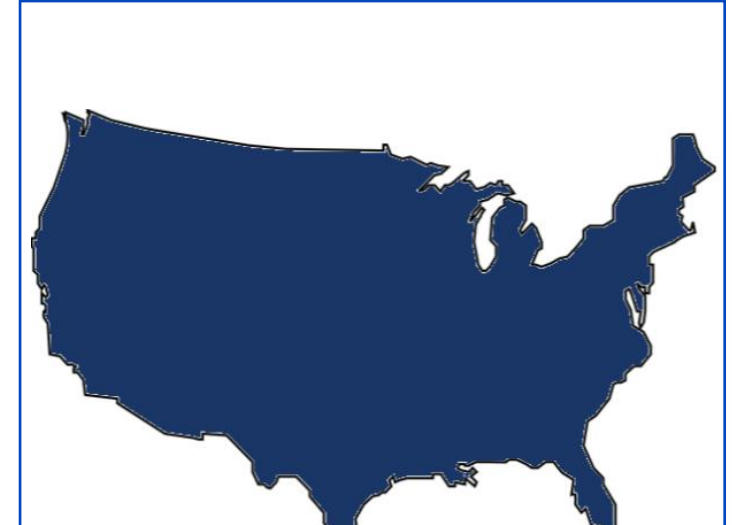


+0.4%
(+105 Agents)



Record Agent Count of 25,393
as of September 30, 2024

Agents in the U.S.



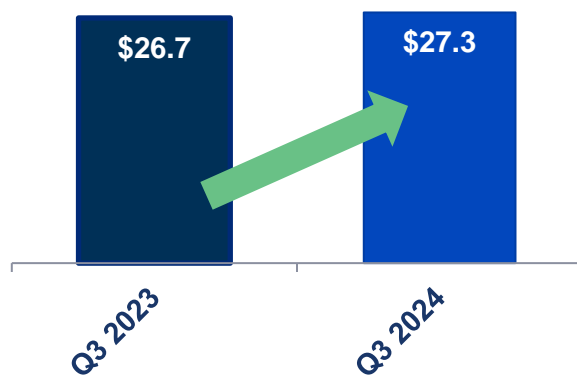
-6.5%
(-3,686 Agents)

Total agent count increased 174 agents, or 0.1%, YoY to 145,483 agents

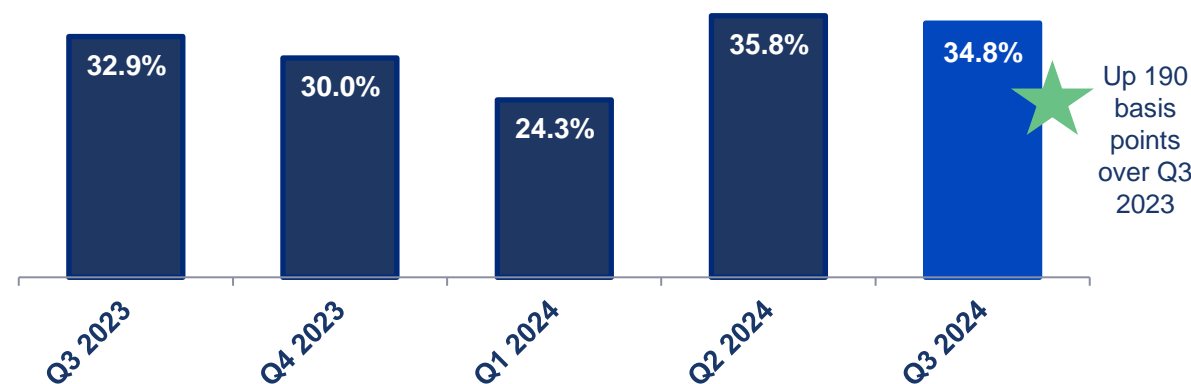
Adjusted EBITDA¹ of \$27.3 Million

Adjusted EBITDA¹ Margin of 34.8%

Adjusted EBITDA¹ (\$M)



Adjusted EBITDA Margin¹



For Q3 2024:

- Adjusted EBITDA was \$27.3 million for the third quarter of 2024, an increase of \$0.5 million, or 2.0%, compared to the third quarter of 2023. Third quarter 2024 Adjusted EBITDA increased primarily due to a decrease in bad debt expense, lower legal expenses and personnel costs, partially offset by a decrease in U.S. agent count.
- Adjusted EBITDA margin was 34.8% in the third quarter of 2024, compared to 32.9% in the third quarter of 2023.

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

Balance Sheet, Liquidity, & Capital Allocation

Balance Sheet & Leverage

- Cash balance of \$83.8 million on September 30, 2024, up \$1.2 million from December 31, 2023
- \$441.8 million in outstanding debt¹ and no revolving loans outstanding
- Total Debt / TTM Adjusted EBITDA² of 4.5:1³
- Net Debt / TTM Adjusted EBITDA² of 3.7:1⁴

Liquidity & Capital Allocation

- The Company has a common stock repurchase program of up to \$100 million. During the three months ended September 30, 2024, the Company did not repurchase any shares. As of September 30, 2024, \$62.5 million remained available under the share repurchase program.
- The Company's Total Liquidity Ratio ("TLR") was 3.52:1⁵ as of September 30, 2024. Access to borrowings under the revolving line of credit will not be restricted based on TLR so long as the Company's TLR remains below 4.50:1.

¹Net of unamortized debt discount and debt issuance costs

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

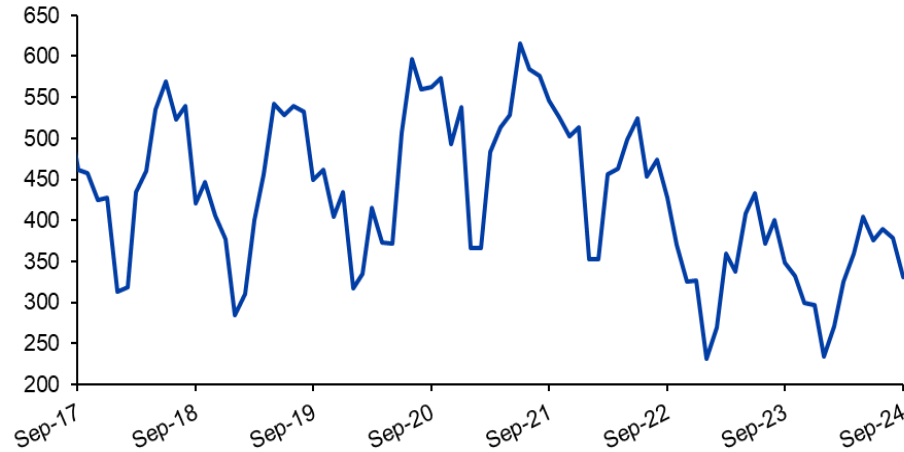
³Based on twelve months ended September 30, 2024, Adjusted EBITDA of \$97.3M and total debt of \$441.8M, net of unamortized debt discount and debt issuance costs

⁴Based on twelve months ended September 30, 2024, Adjusted EBITDA of \$97.3M and net debt of \$358.0M, net of unamortized debt discount, debt issuance costs and unrestricted cash balance on September 30, 2024

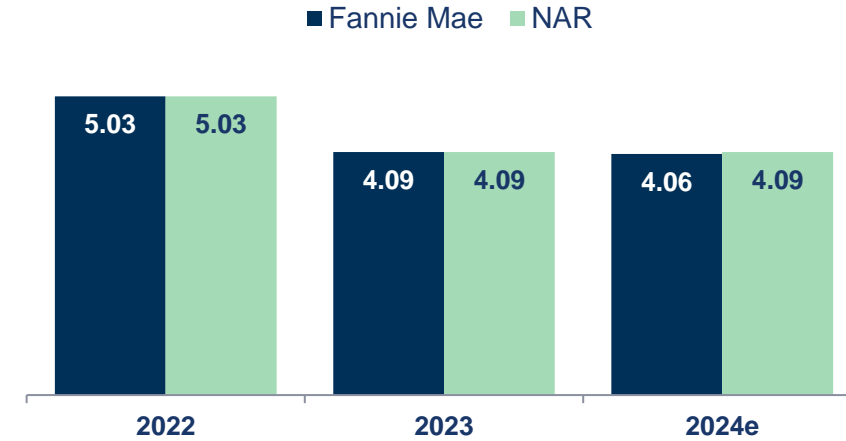
⁵The Company's TLR is calculated pursuant to the RE/MAX, LLC Senior Secured Credit Facility for the trailing twelve-month period ending September 30, 2024, based on the applicable definitions of Consolidated EBITDA and indebtedness as defined therein.

Industry Forecasts

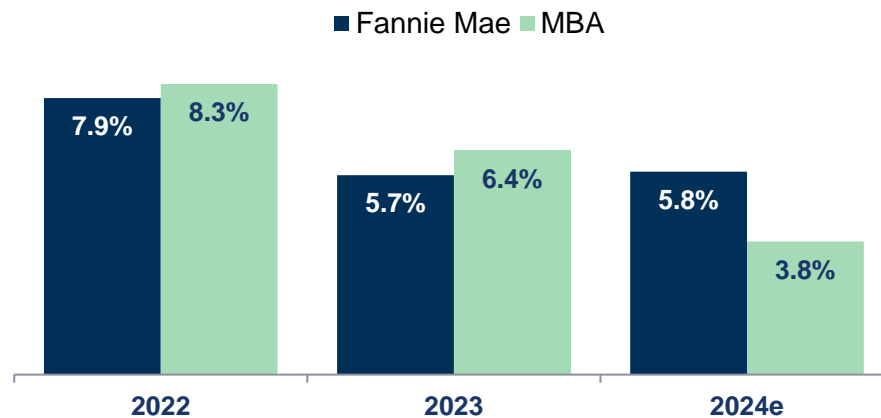
Monthly Existing Home Sales¹ (Thousands)



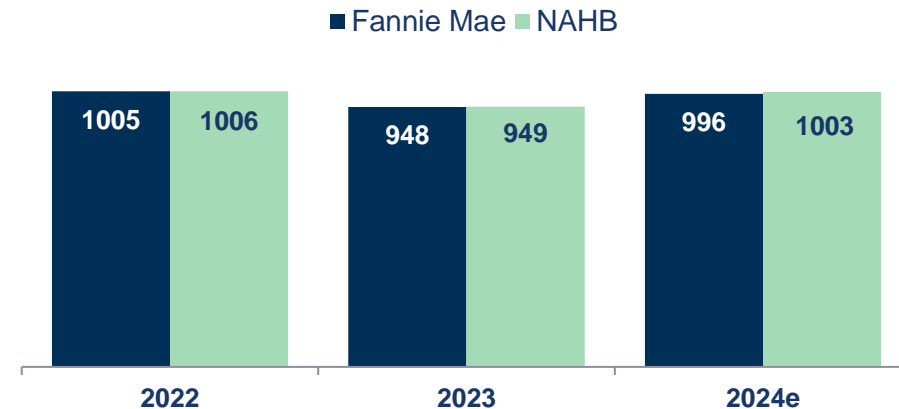
Annual Existing Home Sales^{2,3} (Millions)



Home Price Appreciation^{3,4} (YoY)



Housing Starts - Single Family^{3,5} (Thousands)



¹Source: NAR (National Association of Realtors) – Existing Home Sales, numbers presented are not seasonally adjusted; September 2017 through September 2024

²Source: NAR (National Association of Realtors) – U.S. Economic Outlook, October 2024

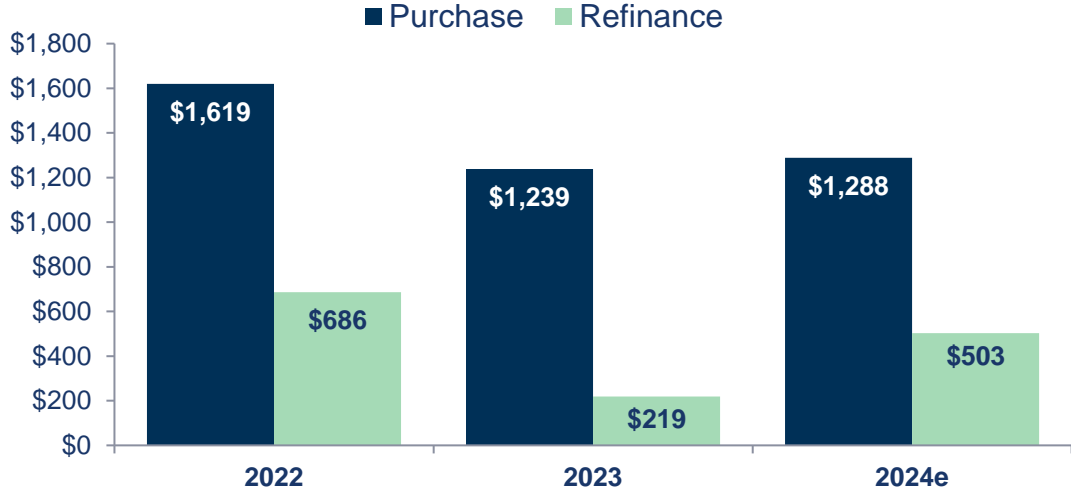
³Source: Fannie Mae – Economic and Strategic Research – Housing Forecast, October 2024

⁴Source: Mortgage Bankers Association – MBA Mortgage Finance Forecast, October 2024

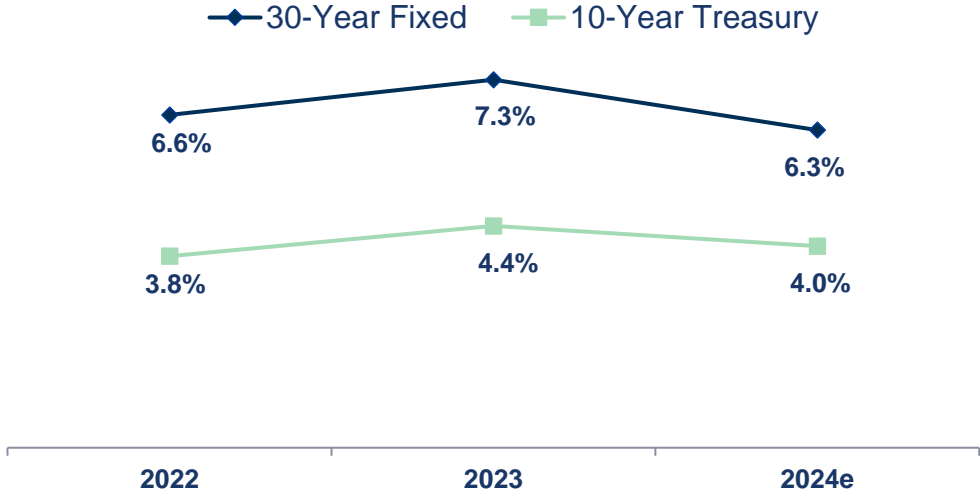
⁵Source: NAHB (National Association of Home Builders) – Housing and Interest Rate Forecast, October 2024

Mortgage Finance Forecasts

Loan Originations¹ (\$'s in billions)



Mortgage & Interest Rates¹



¹Source: Mortgage Bankers Association – MBA Mortgage Finance Forecast, October 2024



RE/MAX Holdings, Inc.

Agent Count and Revenue Excluding Marketing Funds



	As of								
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Agent Count:									
U.S.									
Company-Owned Regions	46,283	46,780	47,302	48,401	49,576	50,011	50,340	51,491	52,804
Independent Regions	6,525	6,626	6,617	6,730	6,918	6,976	7,110	7,228	7,311
U.S. Total	52,808	53,406	53,919	55,131	56,494	56,987	57,450	58,719	60,115
Canada									
Company-Owned Regions	20,515	20,347	20,151	20,270	20,389	20,354	20,172	20,228	20,174
Independent Regions	4,878	4,846	4,885	4,898	4,899	4,864	4,899	4,892	4,844
Canada Total	25,393	25,193	25,036	25,168	25,288	25,218	25,071	25,120	25,018
U.S. and Canada Total	78,201	78,599	78,955	80,299	81,782	82,205	82,521	83,839	85,133
Outside U.S. and Canada									
Independent Regions	67,282	64,943	64,332	64,536	63,527	62,305	61,002	60,175	59,167
Outside U.S. and Canada Total	67,282	64,943	64,332	64,536	63,527	62,305	61,002	60,175	59,167
Total	145,483	143,542	143,287	144,835	145,309	144,510	143,523	144,014	144,300
Net change in agent count compared to the prior period	1,941	255	(1,548)	(474)	799	987	(491)	(286)	361

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenue excluding the Marketing Funds:				
Total revenue	\$ 78,478	\$ 81,223	\$ 235,218	\$ 249,071
Less: Marketing Funds fees	20,098	20,853	60,331	63,272
Revenue excluding the Marketing Funds	\$ 58,380	\$ 60,370	\$ 174,887	\$ 185,799

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

RE/MAX Holdings, Inc.

Adjusted EBTIDA Reconciliation to Net Income

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

\$ in 000's	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 3,414	\$ (82,672)	\$ 3,997	\$ (80,107)
Depreciation and amortization	7,237	8,195	22,489	24,236
Interest expense	9,249	9,292	27,696	26,377
Interest income	(885)	(1,173)	(2,835)	(3,318)
Provision for income taxes	3,507	53,680	6,484	56,494
EBITDA	22,522	(12,678)	57,831	23,682
Settlement charge ⁽¹⁾	—	55,000	—	55,000
Equity-based compensation expense	4,618	4,891	14,443	14,050
Acquisition-related expense ⁽²⁾	—	59	—	160
Fair value adjustments to contingent consideration ⁽³⁾	(437)	(280)	(300)	(379)
Restructuring charges ⁽⁴⁾	(18)	4,278	(59)	4,245
Gain on reduction in tax receivable agreement liability ⁽⁵⁾	—	(24,917)	—	(24,917)
Other ⁽⁶⁾	605	395	2,444	1,471
Adjusted EBITDA ⁽⁷⁾	\$ 27,290	\$ 26,748	\$ 74,359	\$ 73,312
Adjusted EBITDA Margin ⁽⁷⁾	34.8 %	32.9 %	31.6 %	29.4 %

Footnote:

- (1) Represents the settlement of industry class-action lawsuits.
- (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) During the third quarter of 2023, the Company announced a reduction in force and reorganization intended to streamline the Company's operations and yield cost savings over the long term.
- (5) Gain on reduction in tax receivable agreement liability is a result of a valuation allowance on deferred tax assets recorded during the third quarter of 2023.
- (6) Other is primarily made up of employee retention related expenses from the Company's CEO transition.
- (7) Non-GAAP measure. See the end of this presentation 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		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 3,414	\$ (82,672)	\$ 3,997	\$ (80,107)
Amortization of acquired intangible assets	4,672	5,768	15,085	17,299
Provision for income taxes	3,507	53,680	6,484	56,494
Add-backs:				
Settlement charge ⁽¹⁾	—	55,000	—	55,000
Equity-based compensation expense	4,618	4,891	14,443	14,050
Acquisition-related expense ⁽²⁾	—	59	—	160
Fair value adjustments to contingent consideration ⁽³⁾	(437)	(280)	(300)	(379)
Restructuring charges ⁽⁴⁾	(18)	4,278	(59)	4,245
Gain on reduction in tax receivable agreement liability ⁽⁵⁾	—	(24,917)	—	(24,917)
Other ⁽⁶⁾	605	395	2,444	1,471
Adjusted pre-tax net income	16,361	16,202	42,094	43,316
Less: Provision for income taxes at 25% ⁽⁷⁾	(4,091)	(4,051)	(10,524)	(10,829)
Adjusted net income ⁽⁸⁾	\$ 12,270	\$ 12,151	\$ 31,570	\$ 32,487
Total basic pro forma shares outstanding	31,423,393	30,710,157	31,292,790	30,623,609
Total diluted pro forma shares outstanding	32,043,398	30,710,157	31,622,879	30,623,609
Adjusted net income basic earnings per share ⁽⁸⁾	\$ 0.39	\$ 0.40	\$ 1.01	\$ 1.06
Adjusted net income diluted earnings per share ⁽⁸⁾	\$ 0.38	\$ 0.40	\$ 1.00	\$ 1.06

Footnote:

- (1) Represents the settlement of industry class-action lawsuits.
- (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) During the third quarter of 2023, the Company announced a reduction in force and reorganization intended to streamline the Company's operations and yield cost savings over the long term.
- (5) Gain on reduction in tax receivable agreement liability is a result of a valuation allowance on deferred tax assets recorded during the third quarter of 2023.
- (6) Other is primarily made up of employee retention related expenses from the Company's CEO transition.
- (7) 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.
- (8) Non-GAAP measure. See the end of this presentation for definitions of non-GAAP measures.

RE/MAX Holdings, Inc.

Adjusted Free Cash Flow & Unencumbered Cash Generation

\$ in 000's	Nine Months Ended	
	September 30,	
	2024	2023
Cash flow from operations	\$ 42,867	\$ 19,625
Less: Purchases of property, equipment and capitalization of software	(5,821)	(4,249)
(Increases) decreases in restricted cash of the Marketing Funds ⁽¹⁾	(1,959)	12,222
Adjusted free cash flow ⁽²⁾	35,087	27,598
Adjusted free cash flow ⁽²⁾	35,087	27,598
Less: Tax/Other non-dividend distributions to RIHI	—	—
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	35,087	27,598
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	35,087	27,598
Less: Debt principal payments	(3,450)	(3,450)
Unencumbered cash generated ⁽²⁾	\$ 31,637	\$ 24,148
Summary		
Cash flow from operations	\$ 42,867	\$ 19,625
Adjusted free cash flow ⁽²⁾	\$ 35,087	\$ 27,598
Adjusted free cash flow after tax/non-dividend distributions to RIHI ⁽²⁾	\$ 35,087	\$ 27,598
Unencumbered cash generated ⁽²⁾	\$ 31,637	\$ 24,148
Adjusted EBITDA ⁽²⁾	\$ 74,359	\$ 73,312
Adjusted free cash flow as % of Adjusted EBITDA ⁽²⁾	47.2%	37.6%
Adjusted free cash flow less distributions to RIHI as % of Adjusted EBITDA ⁽²⁾	47.2%	37.6%
Unencumbered cash generated as % of Adjusted EBITDA ⁽²⁾	42.5%	32.9%

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) 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 based on 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;
- these measures do not reflect the cash requirements for the settlement of class-action lawsuits and other legal settlements;
- 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 or loss on sale or disposition of assets and sublease, settlement and impairment charges, equity-based compensation expense, acquisition-related expense, gains or losses from changes in the tax receivable agreement liability, expense or income related to changes in the fair value measurement of contingent consideration, restructuring charges and other non-recurring items. 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 must 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.