RE/MAX Holdings, Inc.

First Quarter 2020 Earnings

May 7, 2020

Forward-Looking Statements

This presentation includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as "believe," "intend," "expect," "estimate," "plan," "outlook," "project," "anticipate," "may," "will," "would" and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to: agent count; franchise sales; revenue; operating expenses; dividends; non-GAAP financial measures; housing and mortgage market conditions; the Company's strategic and operating plans and business models; the impact of the COVID-19 pandemic and the ability of the Company and its franchisees to navigate the challenges presented by the COVID-19 pandemic; investments in the success of franchisees, including financial support; the Company's ability to implement its planned expense reductions and the benefits thereof; the importance of skilled real estate professionals; the advantages of the Company's strong brands, resilient business model, healthy balance sheet, two highly entrepreneurial networks and extremely skilled headquarters staff; and the Company's continued investment in the success of its affiliates. 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 poses 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 Company has offered financial support to its franchisees during this time, but the Company is unable to estimate the effectiveness of that support or the ultimate effect of such support on its results of operations and financial condition. 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, particularly if ongoing mitigation actions by government authorities remain in place for a significant amount of time. 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.

RE/MAX® HOLDINGS, INC.

We Remain Focused on the Health and Well-being of Our Employees, Affiliates, Customers and Communities

Headquarters Staff Smoothly Transitioned to Virtual, Work-from-Home Environment

RE/MAX®

MOTTO® MORTGAGE

Q1 2020 Highlights

Solid Start to 2020 Interrupted by COVID-19

Q1 2020 Operating Highlights

- COVID-19 pandemic increasingly impacted the housing market and our operations as the first quarter unfolded
- Headquarters staff smoothly transitioned to a virtual, work-from-home environment
- Total agent count grew 6,284 agents, or 5.0%, YoY to 131,816 agents, a record
- Agent count outside the U.S. and Canada increased 14.8%
- Total open Motto Mortgage franchises increased 34.1% to 118 offices[1]
- Launch of our consumer-facing app and the refreshed remax.com website

Comparisons represent Q1 2020 versus Q1 2019 unless otherwise noted

Q1 2020 Financial Highlights

- Revenue of $70.3 million, up almost 1%, excluding the Marketing Funds
- Adjusted EBITDA[2] of $19.5 million
- Adjusted EBITDA Margin[2] of 27.8%
- Adjusted basic and diluted EPS[2] of $0.39

Comparisons represent Q1 2020 versus Q1 2019

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

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

Experienced Management Team, Industry-leading Brands, Entrepreneurial Affiliates, Skilled Headquarters Team

2 TO 1

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

RE/MAX

Entrepreneur
FRANCHISE 500®
RANKED
2020
**

Entrepreneur
FRANCHISE 500®
RANKED #1 IN CATEGORY
2020
**

Entrepreneur
FRANCHISE 500®
FASTEST GROWING FRANCHISE
2020
***

MOTTO® MORTGAGE

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*Transaction sides per agent calculated by RE/MAX based on 2020 REAL Trends 500 data, citing 2019 transaction sides for the 1,711 largest participating U.S. brokerages. RE/MAX average: 15.6. Competitors: 7.0.

** Source: Entrepreneur Franchise - Based on an analysis of data, including costs and fees, support, size and growth, brand strength, and financial strength and stability, from franchise disclosure and related documents dated August 2018 to July 2019 of 1,105 participating franchise systems

*** Source: Entrepreneur Franchise - Based on the net number of franchise units added in the U.S. and Canada between August 2019 to July 2019 according to Entrepreneur magazine's review of unit lists and Franchise Disclosure Documents of 1,105 participating franchises across all industries

By Helping Others Achieve Their Goals, We Achieve Ours

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

Among Top 5% of Fastest Growing Emerging Franchises[1]

#1

MOTTO MORTGAGE

RE/MAX

Nobody in the World Sells More Real Estate than RE/MAX[2]

RE/MAX Agents Out-produce Other Agents 2 to 1 at Large Brokerages[3]

Unmatched Global Footprint

Highest Level of Unaided Brand Awareness Among Competitors in Survey of U.S. and Canadian Home Buyers and Sellers[4]

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[1]Source: Franchise Grade*, based on an analysis of over 2,800 franchise systems during the 36-month period ended December 31, 2018
[2]As measured by residential transaction sides
[3]Source: Based on 2019 transaction sides cited in two surveys of the largest participating U.S. brokerages. The 2020 REAL Trends 500 includes data for 1,711 brokerages with at least 500 transaction sides each. The RISMedia 2020 Power Broker Top 1,000 includes data for 1,000 brokerages with the highest sales volume
[4]According to MMR Strategy Group study of unaided awareness

Housing Market Leading Indicators Have Begun to Show Signs of Recovery

Generational Demographics Remain a Tailwind

Most buyers and sellers have indicated to their agents that they either want to delay the process by a couple of months or continue moving forward with the process now[1]

Housing market leading indicators have begun to show signs of recovery[2]

U.S. population is increasing and the largest demographic, millennials, are in their peak home-buying years[3]

[1]Source: NAR (National Association of Realtors) Flash Survey: Economic Pulse, April 2020
[2] Source: ShowingTime: Impact of COVID-19 on Real Estate Showings in North America, Data through May 4, 2020
[3]Source: Forbes When Will Millennials Finally Buy Homes -- If Ever?, May 31, 2019

All the listings and leads from
remax.com
and **NEW** consumer search app.

RE/MAX® MARKETING

Your one-stop-shop for marketing resources.

megaphone℠ BY RE/MAX®

Paid video, display, Google, Facebook, Instagram and Waze advertising exclusive to RE/MAX.

booj

Learn how this technology is built specifically for you.

*Participating regions only.

booj WEBSITE

Digital Branding for Agents, Teams and Offices.

first®

Download the app for 90 days FREE[1] and protect your database.

MAX CENTER®

Access critical business tools.

On-demand content, live trainings, continuing education and designation courses.

RE/MAX university®

zoom

Connect with video conferencing FREE[1] until June 1, 2020.

[1]Offers current as of May 7, 2020. Offers are subject to change, and restrictions apply


PAY NOW OR LATER
MOTTO MORTGAGE
$1.1 Billion
CLOSED LOAN VOLUME
IN 2019
MEET MOTTO
MOTTO MORTGAGE

Revenue

Recruiting Initiatives Offset by Increased Broker Fees and Motto Expansion

Revenue ($M)	Quarter to Date				Year to Date			
	2020	2019	Favorable/(Unfavorable) $	Favorable/(Unfavorable) %	2020	2019	Favorable/(Unfavorable) $	Favorable/(Unfavorable) %
Continuing franchise fees	$24.1	$25.0	($0.8)	(3.3%)	$24.1	$25.0	($0.8)	(3.3%)
Annual dues	$8.9	$8.9	$0.1	0.8%	$8.9	$8.9	$0.1	0.8%
Broker fees	$9.4	$8.6	$0.9	10.0%	$9.4	$8.6	$0.9	10.0%
Marketing Funds fees	$17.5	$18.8	-$1.3	(6.7%)	$17.5	$18.8	-$1.3	(6.7%)
Franchise sales and other revenue	$10.2	$10.0	$0.2	2.3%	$10.2	$10.0	$0.2	2.3%
Total Revenue	**$70.3**	**$71.2**	**($0.9)**	**(1.3%)**	**$70.3**	**$71.2**	**($0.9)**	**(1.3%)**

For Q1 2020:

- Revenue decreased $0.9 million or 1.3% driven by agent recruiting initiatives that reduced both continuing franchise fees and Marketing Funds fees, partially offset by an increase in broker fees and the growth of Motto.
- Recurring revenue[1] accounted for 62.7% of revenue (excluding the Marketing Funds) in the first quarter of 2020, compared to 64.5% in the comparable period in 2019.

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[1]Recurring revenue is comprised of Continuing franchise fees and Annual dues.

Selling, Operating and Administrative Expenses

Selling, Operating & Administrative Expenses ($M)	Quarter to Date				Year to Date			
	2020	2019	Favorable/(Unfavorable) $	%	2020	2019	Favorable/(Unfavorable) $	%
Personnel	$16.3	$17.5	$1.2	6.8%	$16.3	$17.5	$1.2	6.8%
Professional fees	$3.1	$2.5	($0.6)	(23.7%)	$3.1	$2.5	($0.6)	(23.7%)
Lease costs	$2.2	$2.2	($0.0)	(0.6%)	$2.2	$2.2	($0.0)	(0.6%)
Other	$13.1	$11.7	($1.4)	(11.6%)	$13.1	$11.7	($1.4)	(11.6%)
Total	**$34.7**	**$33.9**	**($0.8)**	**(2.3%)**	**$34.7**	**$33.9**	**($0.8)**	**(2.3%)**

For Q1 2020:

- Selling, operating and administrative expenses, excluding the Marketing Funds, represented 65.7% of revenue, compared to 64.7% in the prior-year period.
- Selling, operating and administrative expenses increased primarily due to higher bad debt expense, incremental expenses from the First acquisition, technology investments and increased legal expenses, partially offset by lower equity-based compensation expense and elimination of the corporate bonus.

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Cost and Capital Savings Measures

Job Preservation & Reductions in Discretionary Spending as Expenses and Capital Expenditures Continue to be Managed Judiciously

Non-Marketing Funds

Reducing second quarter expenses by $6 million to $7 million primarily by:

- ✓ Eliminating the 2020 corporate bonus;
- ✓ Suspending the Company's 401(k) match, travel and events;
- ✓ Implementing a hiring freeze

Marketing Funds

Strategically re-allocating advertising dollars to save money and reducing second quarter Marketing Funds expenses by $5.0 million to $5.5 million

- ✓ Modifications to marketing efforts in response to the current environment

Capital Expenditures

Deferring approximately $2.25 million to $2.75 million of capital expenditures originally expected for the second quarter

- ✓ Principally related to the remodel of our Corporate headquarters

Importantly, we are planning to maintain our level of investment in technology.

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Investing for Future Growth
Our Capital Allocation Priorities Currently Remain Unchanged

Attractive Financial Characteristics

- ✓ 100% franchised business model[1]
- ✓ Primarily recurring revenue streams[2]
- ✓ Strong cash flow generation
- ✓ High margins
- ✓ Low fixed cost structure

Almost 70% of Adjusted EBITDA[3] converted to Free Cash Flow on a trailing 12-month basis[4]

Capital Allocation Priorities

- ✓ Acquire Independent Regions
- ✓ Reinvest in the business to drive future organic growth
- ✓ Other strategic acquisitions & partnerships
- ✓ Return of capital

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[1]Excluding booj and First
[2]Recurring revenue is comprised of Continuing franchise fees and Annual dues
[3] Adjusted EBITDA and Free Cash Flow 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.
[4] As of March 31, 2020

RE/MAX Holdings, Inc.

A Leading Dual-Brand Franchisor with Compelling Growth Opportunities

- #1 Name in Real Estate[1] (US/Canada) and Unmatched Global Footprint
- Highly Productive Network of More Than 130,000 Agents
- Agent-Centric Model is Different and Better

- Rapidly Expanding Network of Offices with Over $1 Billion in 2019 Annual Loan Volume
- First and Only National Mortgage Brokerage Franchise in U.S.
- Among Top 5% of Fastest Growing Emerging Franchises[2]

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

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[1]Source: MMR Strategy Group Study of unaided brand awareness
[2]Source: Franchise Grade*, based on an analysis of over 2,800 franchise systems during the 36-month period ended December 31, 2018

THANK YOU

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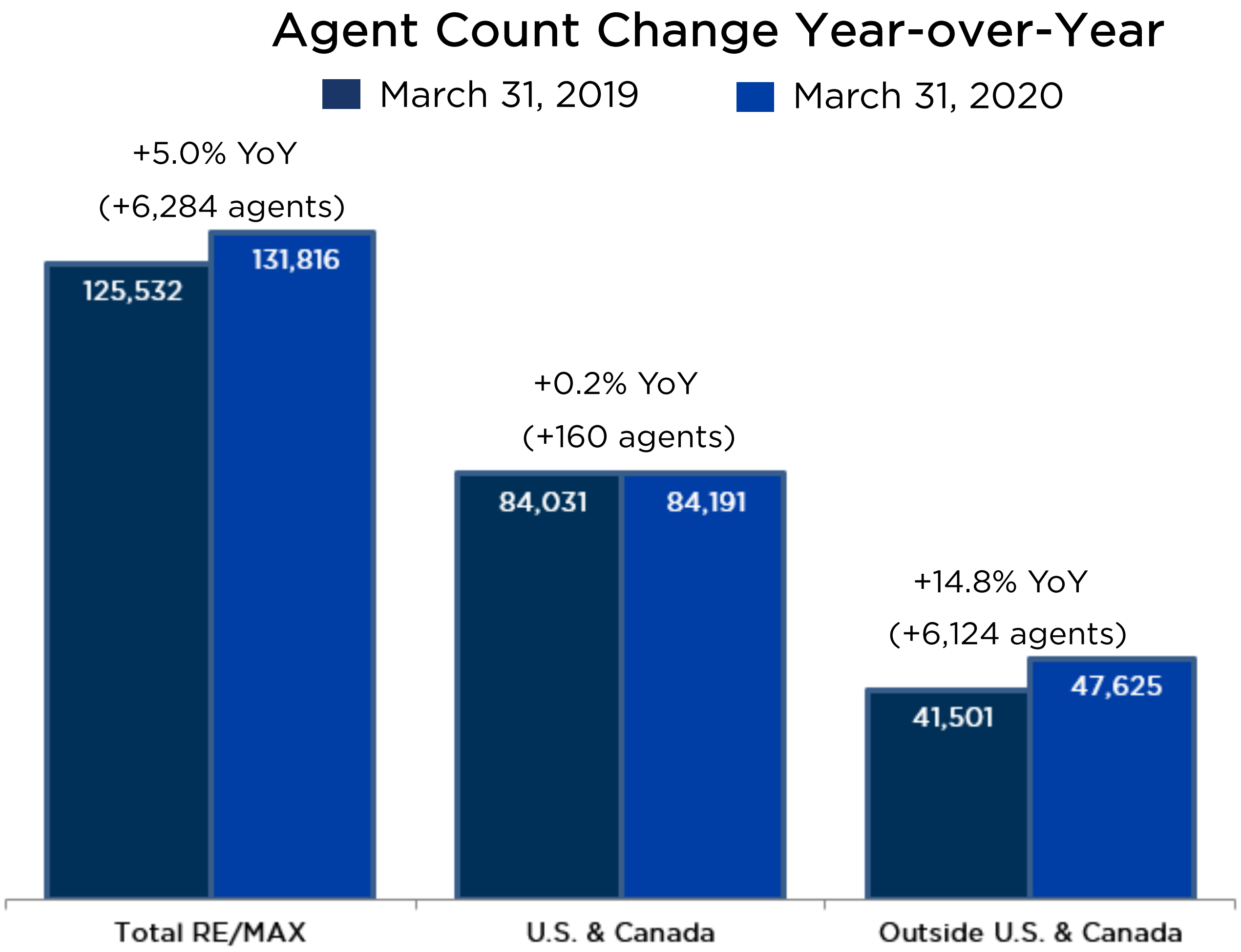
RE/MAX® MOTTO® MORTGAGE

Growing Our Global Network
Year-over-Year Agent Count Growth of 5.0%

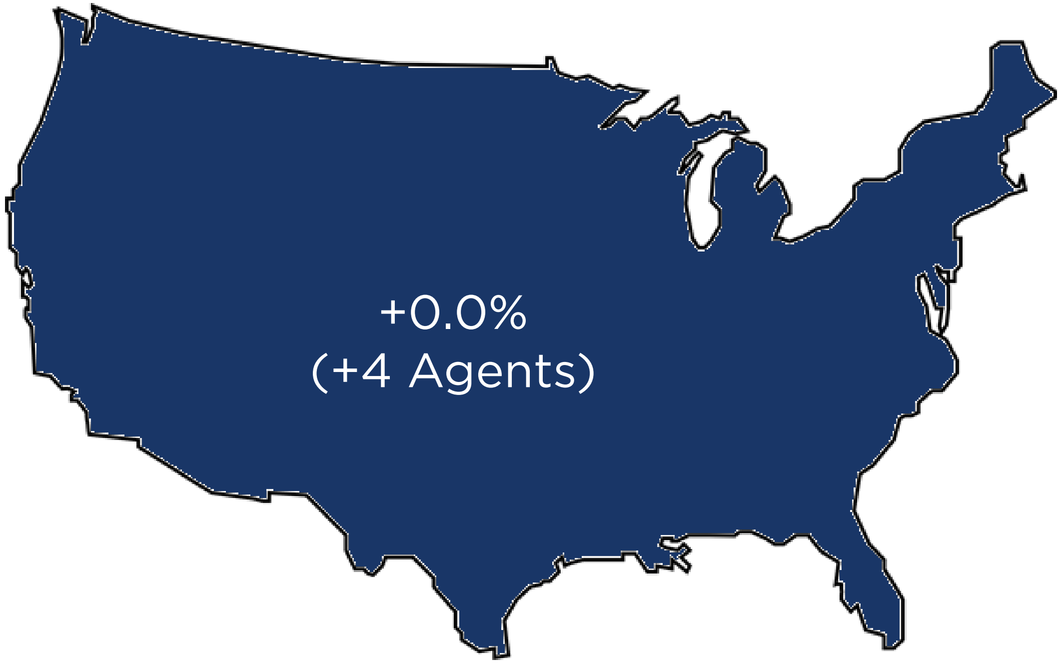


RE/MAX

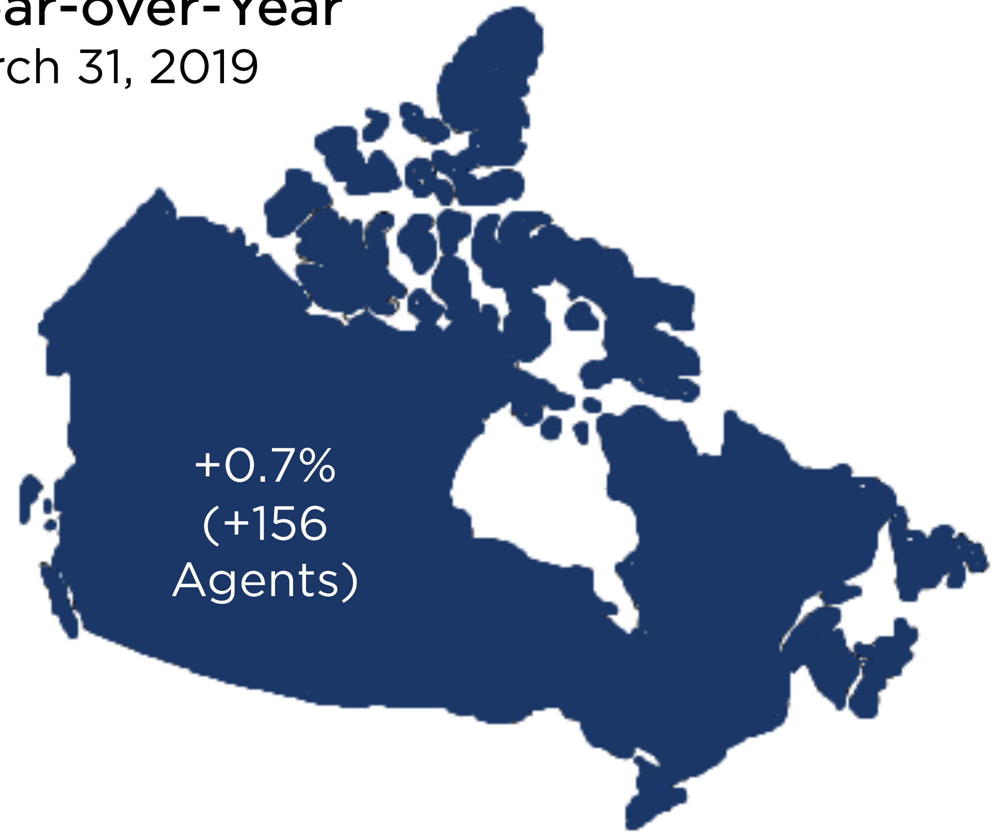
Agent Count Change in the U.S. and Canada

Agent Count Change Year-over-Year

March 31, 2020 over March 31, 2019



Agents in the U.S.



Agents in Canada

RE/MAX

2020 ★ USA

RE/MAX® VS THE INDUSTRY

Choose the brand with outstanding agents, leading brand awareness and an unmatched global presence.

	TRANSACTION SIDES PER AGENT (LARGE BROKERAGES ONLY)[1]	U.S. TRANSACTION SIDES[2]	BRAND AWARENESS (UNAIDED)[3]	COUNTRIES & TERRITORIES	OFFICES WORLDWIDE	AGENTS WORLDWIDE
RE/MAX	**15.6**	**965,859**	**32.5%**	**110+**	**8,629**	**130,889**
ERA	9.2	117,126	1.4%	37	2,300	35,400
CB	7.3	684,981	18.5%	43	3,100	96,300
CENTURY 21	7.0	370,289	24.2%	84	11,600	131,800
kw KELLERWILLIAMS	6.9	1,071,208	11.6%	44	1,060	169,317
BERKSHIRE HATHAWAY	6.7	335,440	6.0%	7	1,500	50,091
Better Homes	6.4	79,351	1.7%	5	390	13,000
Sotheby's	6.4	126,211	3.2%	70	1,000	23,300
REALTY EXECUTIVES	6.0	41,923	0.3%	8	500	8,000
ONE	5.7	69,557	0.2%	2	280	12,203
COMPASS	5.6	84,732	0.8%	1	300	15,000
exp	5.3	130,627	0.3%	4	4	24,557
HomeSmart	4.2	68,400	0.2%	1	190	18,000

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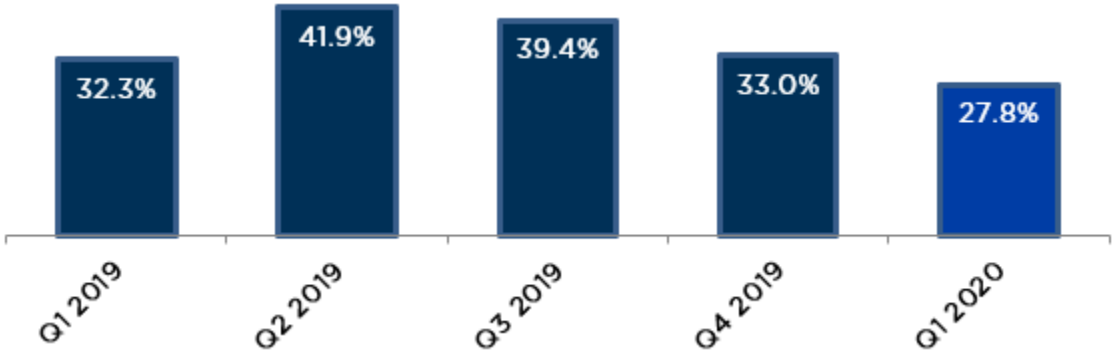
 Data is full-year or as of year-end 2019, as applicable. Except as noted, Coldwell Banker, Century 21, ERA, Sotheby's and Better Homes and Gardens data is as reported by Realogy Corporation on SEC 10-K, Annual Report for 2019; other competitor data is from company websites and industry reports. Except as noted below, transaction sides per agent are calculated by RE/MAX based on 2020 REAL Trends 500 data, citing 2019 transaction sides for the 1,711 largest participating U.S. brokerages. Coldwell Banker includes Realogy Brokerage Group (formerly NRT). For the following competitors, averages were reported in the 2020 T360 Real Estate Almanac's Top 20 Residential Real Estate Franchisors based on Transaction Sides, citing 2019 transaction sides: Berkshire Hathaway HomeServices, Realty ONE Group and Realty Executives. Berkshire does not include HomeServices of America. Totals for Sotheby's, Realty Executives, Realty ONE, Compass, eXp Realty and HomeSmart are for residential transactions only while totals for all other brands include commercial transactions. MMR Strategy Group study of unaided awareness among buyers, sellers, and those planning to buy or sell; asked, when they think of real estate brands, which ones come to mind? 20_302525

Adjusted EBITDA[1]

Adjusted EBITDA[1] ($M)

Adjusted EBITDA Margin[1]



For Q1 2020:

- Adjusted EBITDA[1] was $19.5 million for the first quarter of 2020, a decrease of $3.5 million or 15.0% primarily due to increased bad debt expense and incremental expenses from the First acquisition partially offset by the elimination of the corporate bonus.
- Adjusted EBITDA margin[1] was 27.8% in the first quarter of 2020 compared to 32.3% in the first quarter of 2019.

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

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

Balance Sheet & Leverage

- Cash balance of $80.9 million on March 31, 2020, down $2.1 million from December 31, 2019
- $225.2 million in outstanding debt[1] and no revolving loans outstanding
- Total Debt / Adjusted EBITDA[2] of 2.3x[3]
- Net Debt / Adjusted EBITDA[2] of 1.4x[4]

Dividend

- On May 5, 2020, the Company's Board of Directors approved a quarterly cash dividend of $0.22 per share of Class A common stock. The quarterly dividend is payable on June 2, 2020, to shareholders of record at the close of business on May 19, 2020.

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[1]Net of unamortized debt discount and debt issuance costs
[2]Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP numbers and exclude all adjustments attributable to the non-controlling interest. See the Appendix for definitions and reconciliations of non-GAAP measures.
[3]Based on twelve months ended March 31, 2020, Adjusted EBITDA of $19.5M and total debt of $225.2M, net of unamortized debt discount and debt issuance costs
[4]Based on twelve months ended March 31, 2020, Adjusted EBITDA of $19.5M and net debt of $ 144.2 M, net of unamortized debt discount, debt issuance costs and unrestricted cash balance at March 31, 2020

About The RE/MAX National Housing Report

Description

The RE/MAX National Housing Report (the "Report") is distributed each month on or about the 15th. The first Report was distributed in August 2008. The Report is based on MLS data in approximately 52 metropolitan areas, includes all residential property types, and is not annualized. For maximum representation, many of the largest metro areas in the country are represented, and an attempt is made to include at least one metro from each state. Metro area definitions include the specific counties established by the U.S. Government's Office of Management and Budget, with some exceptions.

Definitions

Transactions are the total number of closed residential transactions during the given month. Months Supply of Inventory is the total number of residential properties listed for sale at the end of the month (current inventory) divided by the number of sales contracts signed (pended) during the month. Where "pended" data is unavailable, this calculation is made using closed transactions. Days on Market is the number of days that pass from the time a property is listed until the property goes under contract for all residential properties sold during the month. Median Sales Price is the median of the median sales prices in each of the metro areas included in the survey.

MLS data is provided by contracted data aggregators, RE/MAX brokerages and regional offices. While MLS data is believed to be accurate, it cannot be guaranteed. MLS data is constantly being updated, making any analysis a snapshot at a particular time. Every month the RE/MAX National Housing Report re-calculates the previous period's data to ensure accuracy over time. All raw data remains the intellectual property of each local MLS organization.

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Strong Q1 Start for Home Sales Slowed by COVID-19 Pandemic

Closed Transactions

year over year change

SOLD
March 2020
2.7%

SOLD
February 2020
7.5%

SOLD
March 2019
-8.6%

Months Supply

6-months considered average, historically

2.7
Mar 2020

3.0
Feb 2020

3.2
Mar 2019

Median Sales Price

Median of 52 metro median prices

7.7%
year-over-year

2.9%
month-over-month

$265,000
March 2020

$257,500
February 2020

$246,000
March 2019

Days on Market

Number of days from listing to signed contract

5 days
from last year

5 days
from last month

March 2020
54
AVERAGE DAYS

February 2020
59
AVERAGE DAYS

March 2019
59
AVERAGE DAYS

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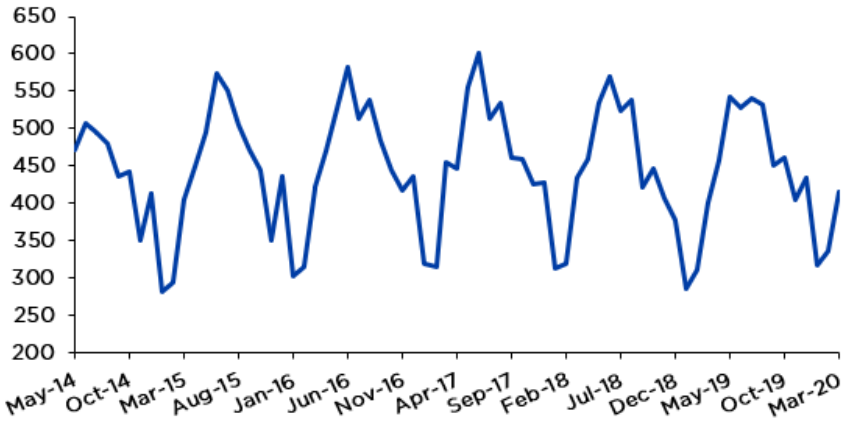
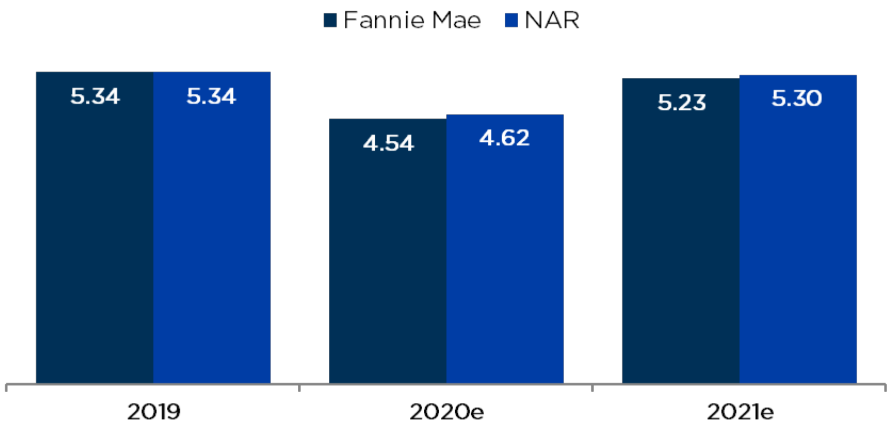
Source: RE/MAX National Housing Report based on March 2020 MLS data. See About The RE/MAX National Housing Report in the Appendix for Description and Definitions.

Industry Forecasts

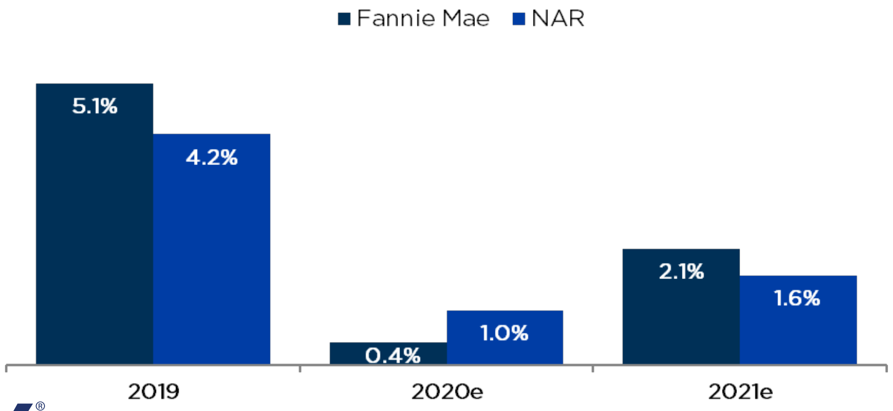
Monthly Existing Home Sales[1] (Thousands)



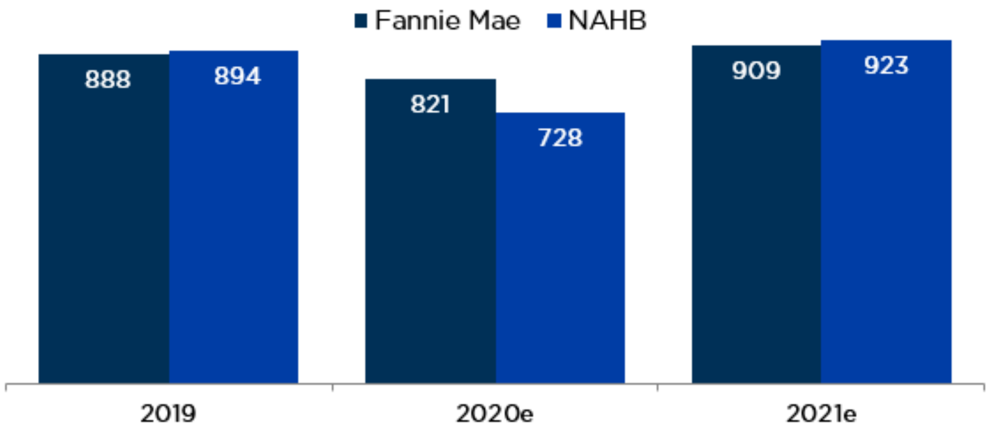
Annual Existing Home Sales[2,3] (Millions)



Home Price Appreciation[2,3] (YoY)



Housing Starts - Single Family[3,4] (Thousands)



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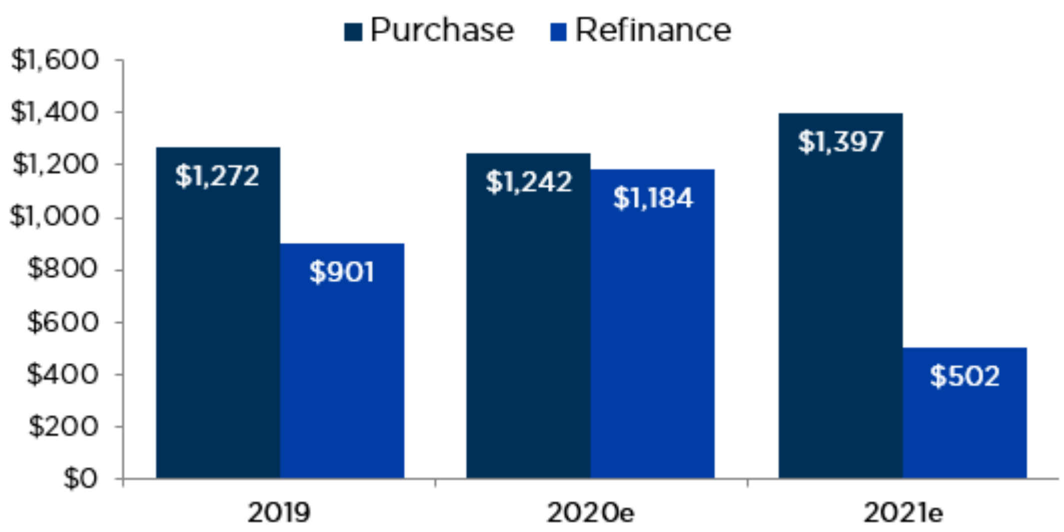
[1]Source: NAR (National Association of Realtors) – Existing Home Sales, numbers presented are not seasonally adjusted; May 2014 through March 2020
[2]Source: NAR (National Association of Realtors) – U.S. Economic Outlook, April 2020
[3]Source: Fannie Mae – Economic and Strategic Research – Housing Forecast, April 2020
[4]Source: NAHB (National Association of Home Builders) – Housing and Interest Rate Forecast April 2020

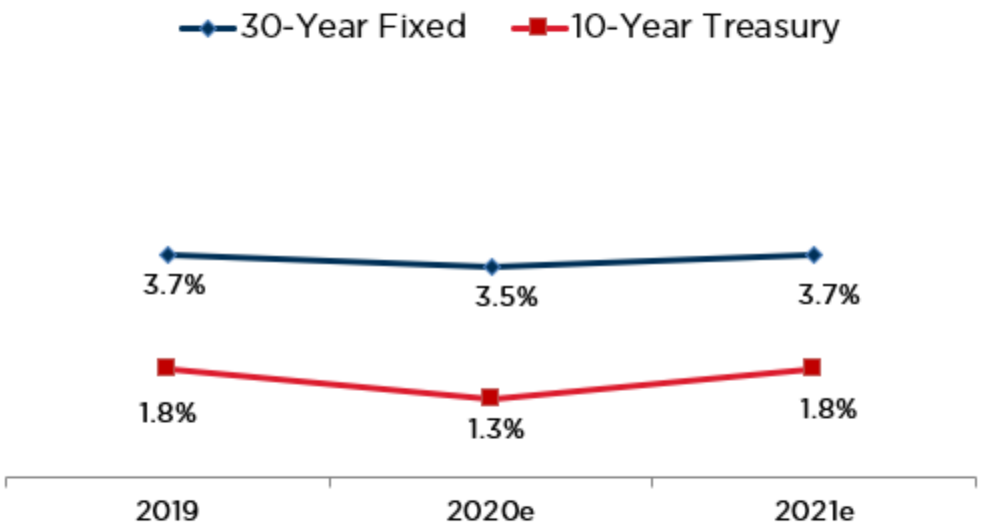
Mortgage Finance Forecasts

Purchase Originations Expected to Grow, Rates to Remain Low

Loan Originations[1] ($'s in billions)



Mortgage & Interest Rates[1]



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[1]Source: Mortgage Bankers Association – MBA Mortgage Finance Forecast April 2020

RE/MAX Holdings, Inc.
Agent Count

	As of							
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Agent Count:								
U.S.								
Company-owned Regions	48,840	49,267	48,576	48,748	48,904	49,318	50,342	50,432
Independent Regions	13,828	13,854	13,972	13,952	13,760	13,804	13,948	14,063
U.S. Total	**62,668**	**63,121**	**62,548**	**62,700**	**62,664**	**63,122**	**64,290**	**64,495**
Canada								
Company-owned Regions	6,217	6,338	6,402	6,510	6,549	6,702	6,858	6,915
Independent Regions	15,306	15,229	15,117	14,923	14,818	14,625	14,550	14,451
Canada Total	21,523	21,567	21,519	21,433	21,367	21,327	21,408	21,366
U.S. and Canada Total	**84,191**	**84,688**	**84,067**	**84,133**	**84,031**	**84,449**	**85,698**	**85,861**
Outside U.S. and Canada								
Independent Regions	47,625	46,201	44,191	42,887	41,501	39,831	38,207	37,221
Outside U.S. and Canada Total	**47,625**	**46,201**	**44,191**	**42,887**	**41,501**	**39,831**	**38,207**	**37,221**
Total	**131,816**	**130,889**	**128,258**	**127,020**	**125,532**	**124,280**	**123,905**	**123,082**
Net change in agent count compared to the prior period	**927**	**2,631**	**1,238**	**1,488**	**1,252**	**375**	**823**	

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RE/MAX Holdings, Inc.

Adjusted EBITDA Reconciliation to Net Income

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

(Amounts in 000s)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
Net income	$ 5,290	$ 8,257	$ 46,856
Depreciation and amortization	6,310	5,558	22,323
Interest expense	2,682	3,155	12,229
Interest income	(269)	(320)	(1,446)
Provision for income taxes	3,790	1,908	10,909
EBITDA	17,803	18,558	90,871
(Gain) loss on sale or disposition of assets	(11)	379	342
Equity-based compensation expense	2,186	4,051	10,934
Acquisition-related expense [1]	566	72	1,127
Gain on reduction in tax receivable agreement liability	(500)	—	—
Fair value adjustments to contingent consideration [2]	(505)	(70)	241
Adjusted EBITDA [3]	$ 19,539	$ 22,990	$ 103,515
Adjusted EBITDA Margin [3]	27.8 %	32.3	36.7 %

Footnote:

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

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

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

RE/MAX HOLDINGS, INC.

RE/MAX Holdings, Inc.

Adjusted Net Income & Adjusted Earnings per Share

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

	Three Months Ended March 31	
	2020	2019
Net income	$ 5,290	$ 8,257
Amortization of acquired intangible assets	4,849	4,465
Provision for income taxes	3,790	1,908
Add-backs:		
(Gain) loss on sale or disposition of assets	(11)	379
Equity-based compensation expense	2,186	4,051
Acquisition-related expense (1)	566	72
Gain on reduction in tax receivable agreement liability	(500)	—
Fair value adjustments to contingent consideration (2)	(505)	(70)
Adjusted pre-tax net income	15,665	19,062
Provision for income taxes at 24% (3)	(3,760)	(4,575)
Adjusted net income (4)	$ 11,905	$ 14,487
Total basic pro forma shares outstanding	30,533,864	30,334,981
Total diluted pro forma shares outstanding	30,593,231	30,377,220
Adjusted net income basic earnings per share (4)	$ 0.39	$ 0.48
Adjusted net income diluted earnings per share (4)	$ 0.39	$ 0.48

Footnote:

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

(2) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fa value of the contingent consideration liability.

(3) 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 to an LLC, and (c) lower income for 2020 due to the pandemic, which is causing distorted impacts to differences betweer tax and GAAP accounting, and causing certain foreign taxes to be nondeductible in 2020 when they otherwise have been and we expect will be again in the future.

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

RE/MAX Holdings, Inc.
Free Cash Flow & Unencumbered Cash Generation

	Three Months Ended March 31,		Year Ended December 31,
	2020	2019	2019
Cash flow from operations	$ 13,649	$ 22,441	$ 78,975
Less: Purchases of property and equipment and capitalization of developed software	(1,965)	(3,940)	(13,226)
Decreases in restricted cash of the Marketing Funds [1]	(3,595)	(4,732)	7,895
Free cash flow [2]	**8,089**	**13,769**	**73,644**
Free cash flow	8,089	13,769	73,644
Less: Tax/Other non-dividend distributions to RIHI	(14)	(55)	(4,880)
Free cash flow after tax/non-dividend distributions to RIHI [2]	**8,075**	**13,714**	**68,764**
Free cash flow after tax/non-dividend distributions to RIHI	8,075	13,714	68,764
Less: Debt principal payments	(660)	(653)	(2,622)
Unencumbered cash generated [2]	**$ 7,415**	**$ 13,061**	**$ 66,142**
Summary			
Cash flow from operations	$ 13,649	$ 22,441	$ 78,975
Free cash flow [2]	$ 8,089	$ 13,769	$ 73,644
Free cash flow after tax/non-dividend distributions to RIHI [2]	$ 8,075	$ 13,714	$ 68,764
Unencumbered cash generated [2]	$ 7,415	$ 13,061	$ 66,142
Adjusted EBITDA [2]	$ 19,539	$ 22,990	$ 103,515
Free cash flow as % of Adjusted EBITDA [2]	41.4%	59.9%	71.1%
Free cash flow less distributions to RIHI as % of Adjusted EBITDA [2]	41.3%	59.7%	66.4%
Unencumbered cash generated as % of Adjusted EBITDA [2]	37.9%	56.8%	63.9%

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) 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 presentation for definitions of non-GAAP measures.

RE/MAX HOLDINGS, INC.

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 presentation), 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, 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.

RE/MAX® HOLDINGS, INC.

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, 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.

RE/MAX® HOLDINGS, INC.