Second Quarter 2018 Earnings

August 3, 2018

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 the Company’s outlook for the third quarter and full-year 2018 (including expectations regarding agent count, revenue and Adjusted EBITDA margins), and dividends as well as other statements regarding the Company’s strategic and operational plans and business models and statements regarding the housing and mortgage markets. 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. Such risks and uncertainties include, without limitation, (1) the impact of the findings and recommendations of the recent Special Committee investigation and remediation on the Company and its management and operations, including reputational damage to the Company and the time and expenses incurred in implementing the recommendations of the Special Committee, (2) any legal proceedings or governmental or regulatory investigations or actions directly or indirectly related to the underlying matters of the Special Committee’s internal investigation may result in adverse findings, the imposition of fines or other penalties, increased costs and expenses, and the diversion of management’s time and resources to address such matters, any of which may have a material adverse effect on the Company, (3) the impact of recent changes to our senior management team, (4) the existence and identification of control deficiencies, including disclosure controls or internal controls over financial reporting, and any impact of such control deficiencies as well as the associated costs in remediating those control deficiencies, (5) changes in business and economic activity in general, (6) changes in the real estate market or interest rates and availability of financing, (7) the Company’s ability to attract and retain quality franchisees, (8) the Company’s franchisees’ ability to recruit and retain real estate agents and mortgage loan originators, (9) changes in laws and regulations, (10) the Company’s ability to enhance, market, and protect the RE/MAX and Motto Mortgage brands, (11) fluctuations in foreign currency exchange rates, and (12) the impact of the Tax Cut and Jobs Act of 2017, as well as 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 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.

Second Quarter 2018 Highlights
Steady Agent Growth and Motto Expansion Continues

Operating Performance

- Total agent count grew 6,812 agents, or 5.9%, YoY to 123,082 agents
- Motto expansion continues: over 90 franchises sold & over 60 offices opened since inception
- The integration of booj is underway as we shape the future of real estate technology at RE/MAX

Comparisons represent Q2 2018 versus Q2 2017

Financial Performance

- Revenue grew 11.4% to $54.3 million
- Recurring revenue[1] represented 63.0% of total revenue
- Adjusted EBITDA[2] of $28.7 million, Adjusted EBITDA Margin[2] of 53.0%
- Adjusted basic and diluted EPS[2] of $0.62

Comparisons represent Q2 2018 versus Q2 2017

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[1]Recurring revenue is comprised of Continuing Franchise Fees and Annual Dues.
[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.

Nearly One in Four of America's Best Were RE/MAX Agents

RE/MAX

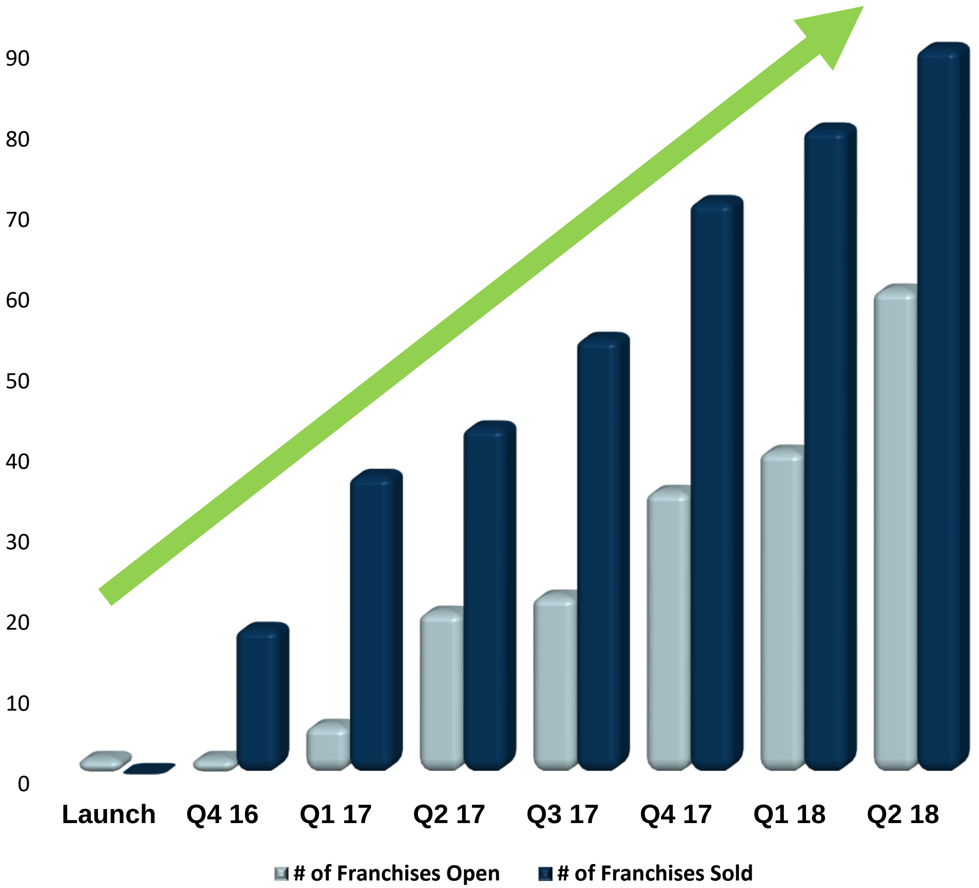
Smart Agents, Smarter Technology

- booj integration ongoing
- Network feedback as part of requirements and design
- Design + development underway
- Early adopter program slated for later this year

Automate, Customize, Mobile-Friendly

booj

Motto Mortgage Expansion Continues



- Over 90 franchise sales since inception
- Over 60 offices opened
- Modest acceleration of office openings in Q2 2018
- Focus on continuous process improvement
- Franchise sales in 2018 expected to be comparable to 2017

Information provided as of the date of the corresponding quarter-end earnings conference call with the exception of Q3 17 which is as of 10/31/2017.

MOTTO[SM] MORTGAGE

Rising Prices, Slowing Sales Driven by Record Low Inventory

Closed Transactions

year over year change

SOLD
June 2018
-5.5%

SOLD
May 2018
+2.8%

SOLD
June 2017
+1.4%

Median Sales Price

Median of 54 metro median prices

5.1%
year-over-year

2.8%
month-over-month

$258,500
June 2018

$251,459
May 2018

$245,956
June 2017

Months Supply

6-months considered average, historically

2.7
June 2018

2.5
May 2018

2.8
June 2017

Days on Market

Number of days from listing to signed contract

5 days
from last year

4 days
from last month

June 2018
42
AVERAGE DAYS

May 2018
46
AVERAGE DAYS

June 2017
47
AVERAGE DAYS

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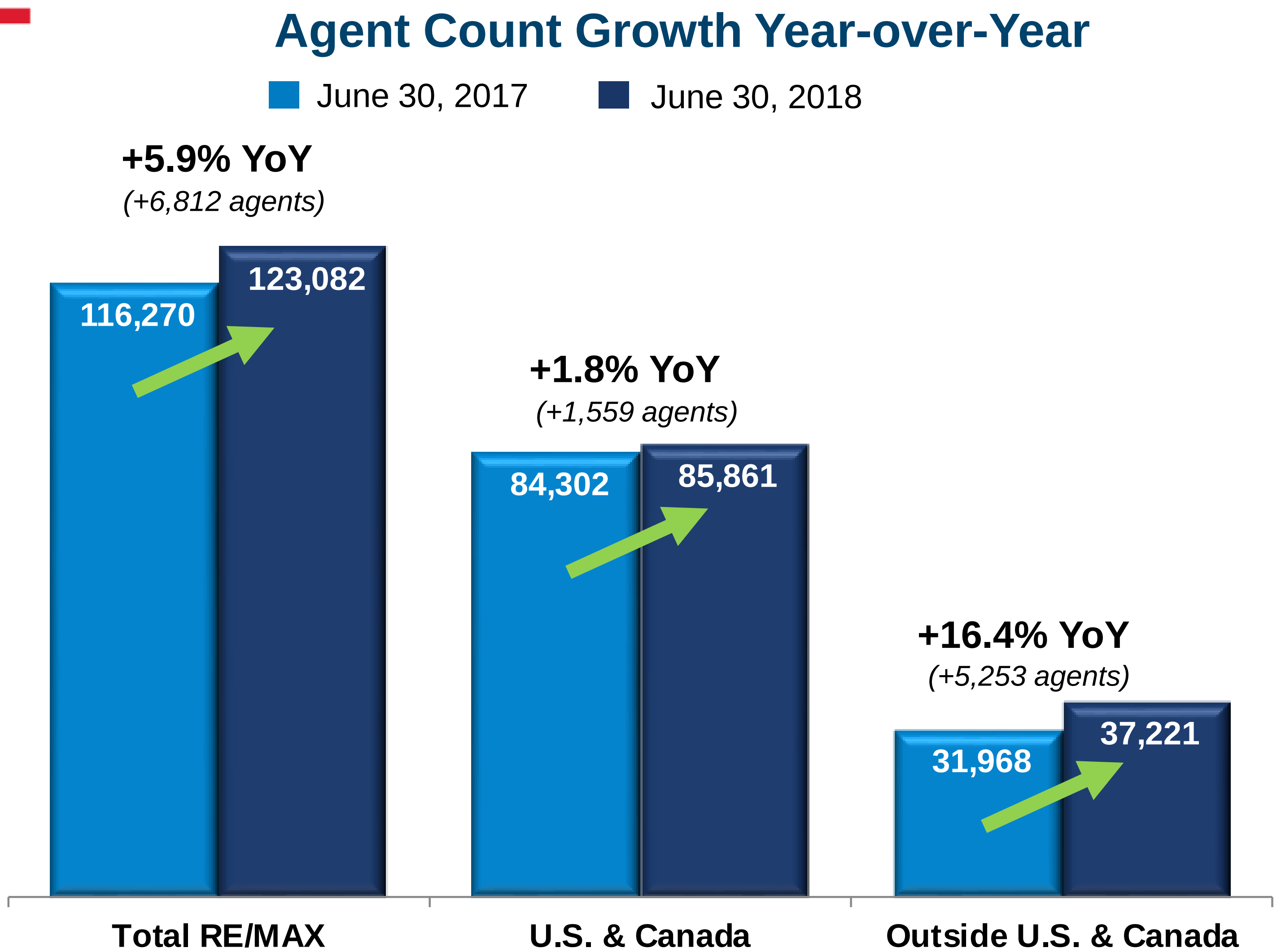
Source: July 2018 RE/MAX National Housing Report. See About The RE/MAX National Housing Report in the Appendix for Description and Definitions.

Growing Our Global Network
Year-over-Year Agent Count Growth of 5.9%

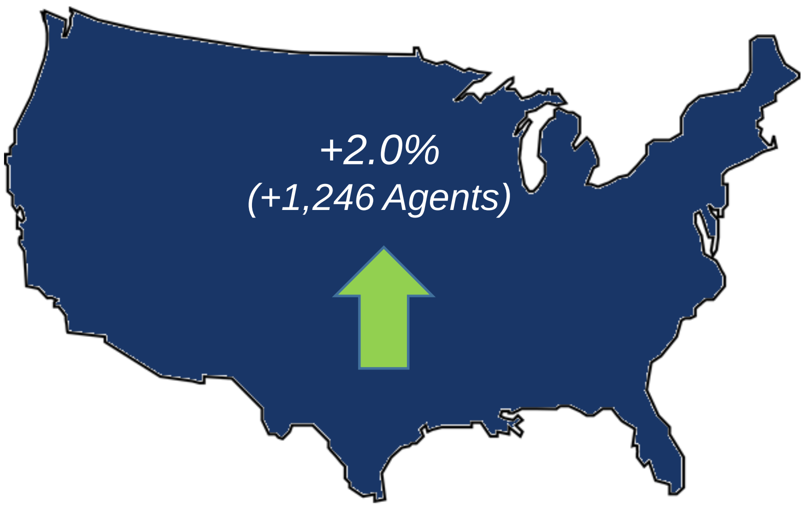


RE/MAX

Agent Count Growth in the U.S. and Canada Continues

Agent Count Growth Year-over-Year

June 30, 2018 over June 30, 2017



Agents in the U.S.

Agents in Canada

Revenue Up 11.4%, Organic Revenue Grows 4.9%
Agent Growth, Rising Home Prices & Motto Expansion

Revenue ($M)	Second Quarter				Year to Date			
	2018	2017[1]	Favorable/(Unfavorable) $	Favorable/(Unfavorable) %	2018	2017[1]	Favorable/(Unfavorable) $	Favorable/(Unfavorable) %
Continuing franchise fees	$25.2	$23.3	$1.9	8.3%	$50.5	$46.2	$4.2	9.1%
Annual dues	$9.0	$8.3	$0.7	7.8%	$17.7	$16.6	$1.1	6.7%
Broker fees	$14.0	$12.6	$1.4	11.5%	$23.2	$20.8	$2.4	11.5%
Franchise sales and other revenue	$6.1	$4.6	$1.5	33.5%	$15.6	$12.5	$3.1	24.6%
Total Revenue	**$54.3**	**$48.7**	**$5.6**	**11.4%**	**$106.9**	**$96.1**	**$10.8**	**11.2%**

- Recurring revenue[2] accounted for 63.0% of revenue in Q2 2018 vs. 64.9% in Q2 2017
- Revenue increased 6.0% from acquisitions, 4.9% from organic growth and 0.5% from foreign currency movements
- Organic growth was driven primarily by increased revenue from agent count increases, rising home prices, and Motto expansion

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[1]Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition standard, retrospectively. All 2017 financial results have been recast to reflect this change. See Note 3 to the Company's unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018.
[2]Recurring revenue is comprised of Continuing franchise fees and Annual dues.

Selling, Operating and Administrative Expenses
Acquisitions and Investments Primarily Drive Increase

SO&A Expenses ($M)	Second Quarter				Year to Date			
	2018	2017[1]	Favorable/(Unfavorable)		2018	2017[1]	Favorable/(Unfavorable)	
			$	%			$	%
Personnel	$16.1	$10.4	($5.7)	(55.3%)	$31.0	$21.6	($9.4)	(43.7%)
Professional fees	$3.5	$3.0	($0.5)	(15.3%)	$9.1	$6.5	($2.6)	(39.9%)
Rent	$2.2	$2.2	($0.0)	(2.1%)	$4.6	$4.5	($0.1)	(2.1%)
Other	$6.5	$5.1	($1.4)	(27.4%)	$17.9	$14.7	($3.2)	(21.9%)
Total	**$28.3**	**$20.7**	**($7.6)**	**(36.9%)**	**$62.7**	**$47.3**	**($15.4)**	**(32.4%)**

- SO&A was 52.2% of revenue in Q2 2018 vs. 42.4% in Q2 2017
- Selling, operating and administrative expenses increased mainly due to the acquisition of booj; investments in technology, Motto and the recently acquired Northern Illinois region; as well as an increase in personnel expenses

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Looking Ahead – Q3 2018 and FY 2018 Outlook
Growing Our Network, Our Business and Our Brand

Q3 2018 Outlook[1]

For the third quarter of 2018, RE/MAX Holdings expects:

- Agent count to increase 5.0% to 6.0% over third quarter 2017,
- Revenue in a range of $54.0 million to $56.0 million, and
- Adjusted EBITDA in a range of $27.0 million to $29.0 million

Full-Year 2018 Outlook[1]

For the full-year 2018, RE/MAX Holdings expects:

- Agent count to increase 5.0% to 6.0% over full-year 2017,
- Revenue in a range of $213.0 million to $216.0 million, and
- Adjusted EBITDA in a range of $103.5 million to $106.5 million

[1]Assumes no further currency movements, acquisitions or dispositions.

Leading Real Estate Franchisor with Recurring Revenues, High Margins and Strong Free Cash Flow

#1 Real Estate Franchise Brand[1] with Unmatched Global Footprint

Highly Productive Network of More Than 120,000 Agents

Agent-Centric Model is Different and Better

Largely Recurring Fee-Based Revenue Model with Strong Margins & Cash Flow

100% Franchised Business

Multiple Drivers of Shareholder Value Creation

RE/MAX®

[1]Source: MMR Strategy Group study of unaided brand awareness

NOBODY IN THE WORLD SELLS MORE REAL ESTATE THAN RE/MAX®

As measured by residential transaction sides. Each Office Independently Owned and Operated.

Appendix

About The RE/MAX National Housing Report

Description

The RE/MAX National Housing 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 54 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.

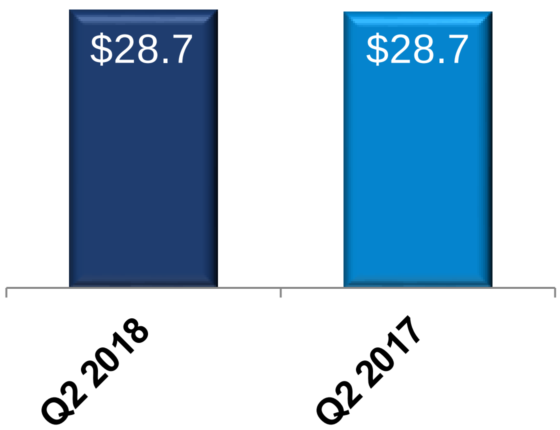
Definitions

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.

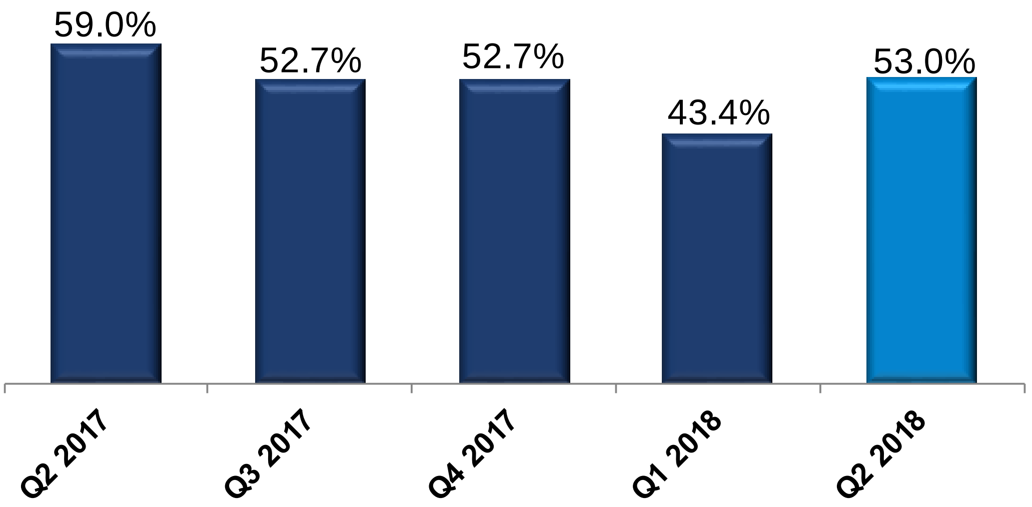
MLS data is provided by contracted data aggregators, RE/MAX brokerages and regional offices. While MLS data is believed to be accurate, it cannot be guaranteed. MLS data is constantly being updated, making any analysis a snapshot at a particular time. Every month the RE/MAX National Housing Report re-calculates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

Adjusted EBITDA Growth

Adjusted EBITDA[1,2] ($M)



Adjusted EBITDA Margin[1,2]



- Contributions from the acquisition of the Northern Illinois region, agent count growth, and rising home prices were offset by investments in technology and Motto, and increased personnel expenses.

[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.
[2]Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition standard, retrospectively. All 2017 financial results have been recast to reflect this change. See Note 3 to the Company's unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018.

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

Balance Sheet & Leverage

- Cash balance of $39.8 million on June 30, 2018, down $11.0 million from December 31, 2017
- $229.1 million in outstanding debt[1] and no revolving loans outstanding
- Total Debt / Adjusted EBITDA[4] of 2.2x[2]
- Net Debt / Adjusted EBITDA[4] of 1.8x[3]

Dividend

- On August 1, 2018, the Company's Board of Directors approved a quarterly cash dividend of $0.20 per share. The quarterly dividend is payable on August 29, 2018, to shareholders of record at the close of business on August 15, 2018.

[1]Net of unamortized debt discount and debt issuance costs
[2]Based on twelve months ended June 30, 2018, Adjusted EBITDA of $103.1M and total debt of $229.1M, net of unamortized debt discount and debt issuance costs
[3]Based on twelve months ended June 30, 2018, Adjusted EBITDA of $103.1M and net debt of $189.3M, net of unamortized debt discount, debt issuance costs and cash balance at June 30, 2018
[4]Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition standard, retrospectively. All 2017 financial results have been recast to reflect this change. See Note 3 to the Company's unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018

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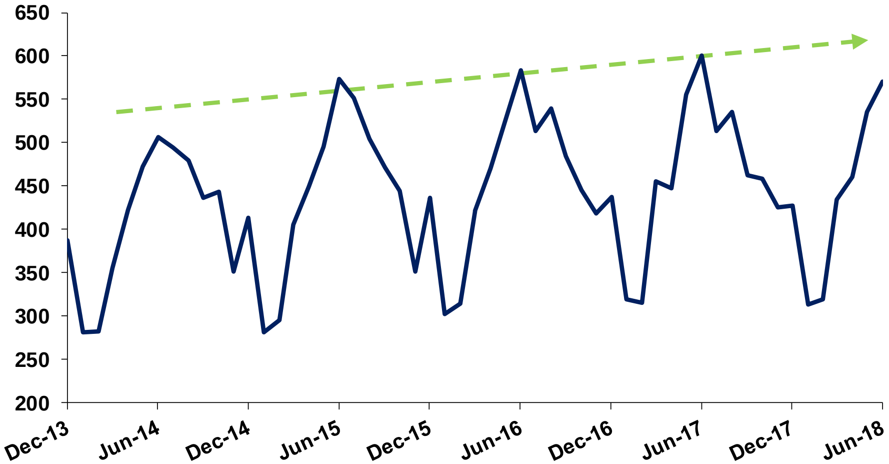
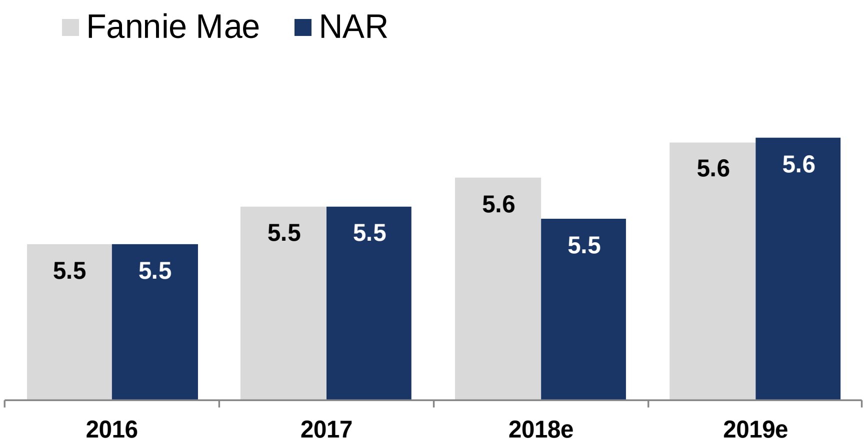
Industry Forecasts for 2018 & 2019
Gradual Expansion of the Housing Market Continues

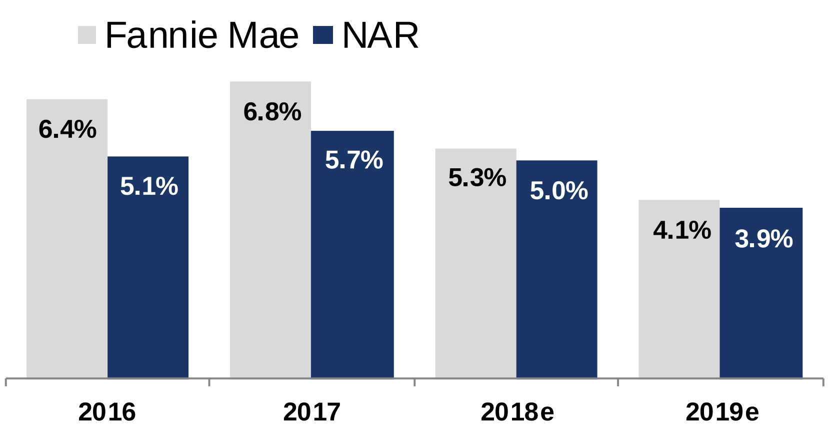
Monthly Existing Home Sales[1] (Thousands)



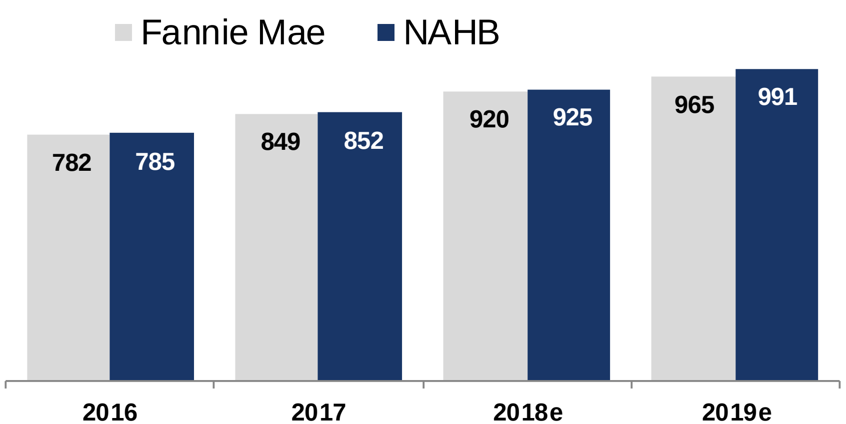
Annual Existing Home Sales[2,3] (Millions)



Home Price Appreciation[2,3] (YoY)



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

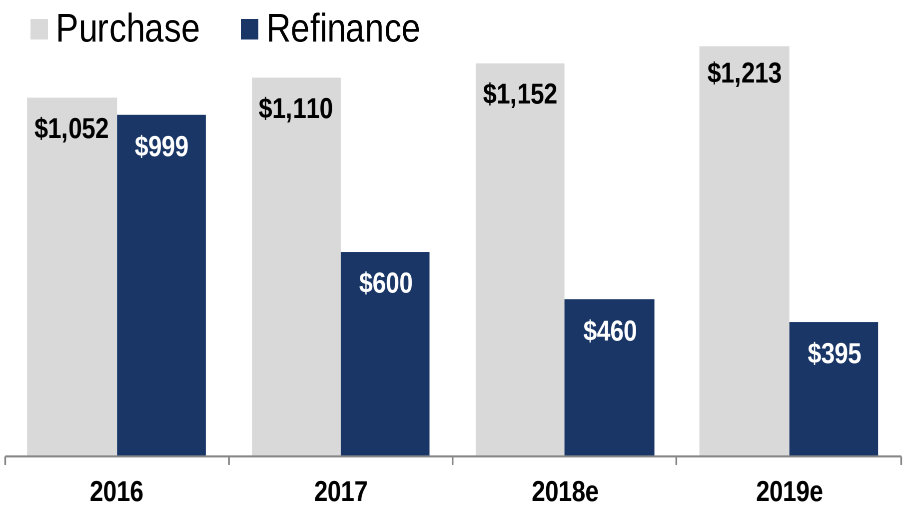


[1]Source: NAR (National Association of Realtors) – Existing Home Sales, numbers presented are not seasonally adjusted; December 2013 through June 2018
[2]Source: NAR (National Association of Realtors) – U.S. Economic Outlook, July 2018
[3]Source: Fannie Mae – Economic and Strategic Research – Housing Forecast, July 2018
[4]Source: NAHB (National Association of Home Builders) – Housing and Interest Rate Forecast July 2018

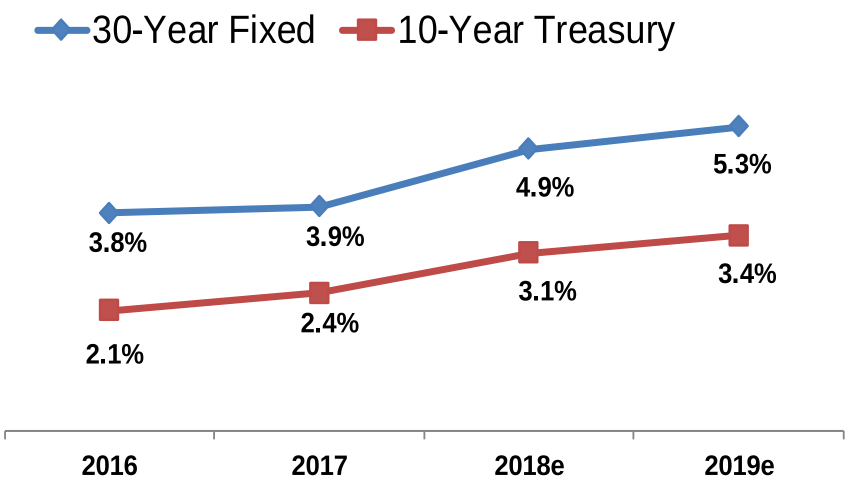
Mortgage Finance Forecasts

Purchase Originations Expected to Grow, Rates to Rise

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



Mortgage & Interest Rates[1]



[1]Source: Mortgage Bankers Association – MBA Mortgage Finance Forecast July 2018

Motto Mortgage Timeline

Franchise Sold

Attend Training

License Obtained

Franchise Opens

Franchisee Ramps to Paying $4,500 Monthly Royalty Fee

Estimated 14 to 17 months

Illustrative of an expected sequence and timing of events for a new Motto Mortgage franchisee. Actual sequence and timing of events may vary.

RE/MAX Holdings, Inc.
Agent Count

	As of							
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Agent Count:								
U.S.								
Company-owned Regions (1)	50,432	49,760	49,411	47,397	47,252	46,708	46,240	39,790
Independent Regions (1)	14,063	13,852	13,751	16,152	15,997	15,733	15,490	22,451
U.S. Total	**64,495**	**63,612**	**63,162**	**63,549**	**63,249**	**62,441**	**61,730**	**62,241**
Canada								
Company-owned Regions	6,915	6,920	6,882	6,924	6,893	6,786	6,713	6,728
Independent Regions	14,451	14,297	14,230	14,236	14,160	14,050	13,959	13,828
Canada Total	21,366	21,217	21,112	21,160	21,053	20,836	20,672	20,556
U.S. and Canada Total	**85,861**	**84,829**	**84,274**	**84,709**	**84,302**	**83,277**	**82,402**	**82,797**
Outside U.S. and Canada								
Independent Regions	37,221	35,992	34,767	32,859	31,968	30,527	29,513	28,391
Outside U.S. and Canada Total	**37,221**	**35,992**	**34,767**	**32,859**	**31,968**	**30,527**	**29,513**	**28,391**
Total	**123,082**	**120,821**	**119,041**	**117,568**	**116,270**	**113,804**	**111,915**	**111,188**
Net change in agent count compared to the prior period	**2,261**	**1,780**	**1,473**	**1,298**	**2,466**	**1,889**	**727**	

(1) As of each quarter end since December 31, 2017, U.S. Company-owned Regions include agents in the Northern Illinois region, which converted from an Independent Region to a Company-owned Region in connection with the acquisition of certain assets of RE/MAX of Northern Illinois, Inc., including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the northern region of the state of Illinois, on November 15, 2017. As of the acquisition date, the Northern Illinois region had 2,266 agents. As of each quarter end since December 31, 2016, U.S. Company-owned Regions include agents in the Georgia, Kentucky/Tennessee and Southern Ohio regions, which converted from Independent Regions to Company-owned Regions in connection with the acquisition of certain assets of RE/AMX of Georgia, Inc., RE/MAX of Kentucky/Tennessee, Inc. and RE/MAX of Southern Ohio, Inc., including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the states of Georgia, Kentucky and Tennessee and Southern Ohio, on December 15, 2016. As of the acquisition date, the Georgia, Kentucky/Tennessee and Southern Ohio regions had 3,963 agents. As of each quarter end since December 31, 2016, U.S. Company-owned Regions include agents in the New Jersey region, which converted from an Independent Region to a Company-owned Region in connection with the acquisition of certain assets of RE/MAX of New Jersey, Inc., including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the state of New Jersey, on December 1, 2016. As of the acquisition date, the New Jersey region had 3,008 agents.

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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 June 30, 2018	Three Months Ended June 30, 2017 As adjusted*	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017 As adjusted*
Net income	$ 14,591	$ 15,539	$ 23,758	$ 24,927
Depreciation and amortization	5,069	5,397	9,644	11,392
Interest expense	3,171	2,462	5,895	4,816
Interest income	(98)	(25)	(217)	(50)
Provision for income taxes	3,147	4,735	5,009	7,765
EBITDA	25,880	28,108	44,089	48,850
Gain on sale or disposition of assets and sublease, net (1)	(113)	(74)	(141)	(121)
Equity-based compensation expense	2,156	732	3,424	1,293
Acquisition-related expense (2)	313	274	1,487	832
Special Committee investigation and remediation expense (3)	564	—	2,650	—
Fair value adjustments to contingent consideration (4)	(55)	(300)	80	(170)
Adjusted EBITDA (5)	$ 28,745	$ 28,740	$ 51,589	$ 50,684
Adjusted EBITDA Margin (5)	53.0 %	59.0 %	48.3 %	52.7 %

*Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition standard, retrospectively. All 2017 financial results have been recast to reflect this change. See Note 3 to the Company's unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018.

(1) Represents (gain) loss on the sale or disposition of assets as well as the (gains) losses on the sublease of a portion of the Company's corporate headquarters office building.
(2) Acquisition-related expense includes legal, accounting, advisory and consulting fees incurred in connection with the acquisition and integration of acquired companies.
(3) Special Committee investigation and remediation expense relates to costs incurred in relation to the previously-disclosed investigation by the special committee of independent directors of actions of certain members of our senior management and the implementation of the remediation plan.
(4) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liability related to the acquisition of Full House Mortgage Connection, Inc. ("Full House").
(5) Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.

RE/MAX

RE/MAX Holdings, Inc.

Adjusted Net Income & Adjusted Earnings per Share

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

(Amounts in 000s)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017 As adjusted*	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017 As adjusted*
Net income	$ 14,591	$ 15,539	$ 23,758	$ 24,927
Amortization of acquired intangible assets	4,265	4,806	8,195	10,229
Provision for income taxes	3,147	4,735	5,009	7,765
Add-backs:				
Gain on sale or disposition of assets and sublease, net (1)	(113)	(74)	(141)	(121)
Equity-based compensation expense	2,156	732	3,424	1,293
Acquisition-related expense (2)	313	274	1,487	832
Special Committee investigation and remediation expense (3)	564	—	2,650	—
Fair value adjustments to contingent consideration (4)	(55)	(300)	80	(170)
Adjusted pre-tax net income	24,868	25,712	44,462	44,755
Less: Provision for income taxes at 24% for 2018 and 38% for 2017, respectively	(5,968)	(9,771)	(10,671)	(17,007)
Adjusted net income (5)	$ 18,900	$ 15,941	$ 33,791	$ 27,748
Total basic pro forma shares outstanding	30,305,642	30,256,442	30,287,271	30,239,536
Total diluted pro forma shares outstanding	30,329,241	30,283,402	30,323,192	30,280,164
Adjusted net income basic earnings per share (5)	$ 0.62	$ 0.53	$ 1.12	$ 0.92
Adjusted net income diluted earnings per share (5)	$ 0.62	$ 0.53	$ 1.11	$ 0.92

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(2) Acquisition-related expense includes legal, accounting, advisory and consulting fees incurred in connection with the acquisition and integration of acquired companies.
(3) Special Committee investigation and remediation expense relates to costs incurred in relation to the previously-disclosed investigation by the special committee of independent directors of actions of certain members of our senior management and the implementation of the remediation plan.
(4) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liability related to the acquisition of Full House.
(5) Non-GAAP measure. See the end of this presentation for definitions of non-GAAP measures.

RE/MAX

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

(Amounts in 000s)

	Six Months Ended June 30,			
				2017
		2018		As adjusted*
Cash flow from operations	$	33,930	$	32,941
Less: Purchases of property, equipment and software		(1,441)		(1,290)
Free cash flow (1)		**32,489**		**31,651**
Free cash flow		32,489		31,651
Less: Tax/Other non-dividend distributions to RIHI		(2,794)		(6,450)
Free cash flow after tax/non-dividend distributions to RIHI (1)		**29,695**		**25,201**
Free cash flow after tax/non-dividend distributions to RIHI		29,695		25,201
Less: Debt principal payments		(1,537)		(1,175)
Unencumbered cash generated (1)	**$**	**28,158**	**$**	**24,026**
Summary				
Cash flow from operations	$	33,930	$	32,941
Free cash flow	$	32,489	$	31,651
Free cash flow after tax/non-dividend distributions to RIHI	$	29,695	$	25,201
Unencumbered cash generated	$	28,158	$	24,026
Adjusted EBITDA	$	51,589	$	50,684
Free cash flow as % of Adjusted EBITDA		63.0%		62.4%
Free cash flow less distributions to RIHI as % of Adjusted EBITDA		57.6%		49.7%
Unencumbered cash generated as % of Adjusted EBITDA		54.6%		47.4%

*Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition standard, retrospectively. All 2017 financial results have been recast to reflect this change. See Note 3 to the Company's unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018.

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

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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 condensed 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, equity-based compensation expense, acquisition-related expense, Special Committee investigation and remediation expense, expense or income related to changes in the estimated fair value measurement of contingent consideration, and other non-recurring items. The Company now adjusts for expense or income related to changes in the estimated fair value measurement of contingent consideration as it is a noncash item that the Company believes is not reflective of operating performance. Adjusted EBITDA was revised in prior periods to reflect this change for consistency in presentation.

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 to pay RIHI Inc. and Oberndorf 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.

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Non-GAAP Financial Measures (continued)

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, special committee investigation costs, 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, both as reported under GAAP, and quantifies how much cash a company has to pursue opportunities that enhance shareholder value. 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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