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; the Company's outlook for the fourth quarter and full year 2019; dividends; non-GAAP financial measures; estimated effective tax rates for 2019; housing and mortgage market conditions; economic and demographic trends; expansion of Motto Mortgage; the booj technology platform, including agent, team and office websites, consumer app and refresh of remax.com; and the Company's strategic and operating plans and business models. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily accurately indicate the times at which such performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Such 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, (8) fluctuations in foreign currency exchange rates, (9) the impact of recent changes to our senior management team, (10) the impact of the findings and recommendations of the previously disclosed Special Committee investigation on the Company and its management and operations, 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.
Why Invest in RE/MAX Holdings, Inc. Today?

Shareholder Return Driven By

**Organic Growth**
- Stable recurring revenue
- High margins & strong free cash flow

Driven by:
1) Agent growth
2) Motto Mortgage
3) Franchise sales
4) Rising average home prices

**Catalysts**
- Independent region acquisitions
- Reinvest in the business
- Other acquisitions within our core competencies of franchising and real estate

**Return of Capital**
- Committed to returning capital through dividend payments over time
- Dividend metrics:
  - ~35% of FCF in 2018
  - $0.21 quarterly dividend

FCF Fuels Catalysts and Return of Capital to Create Shareholder Value

*(FCF) = Operating Cash Flow – Capital Expenditures; $24M 2018 quarterly dividend distributions / $68M 2018 FCF = 35%; see Appendix for reconciliation of non-GAAP measures*
Continued Investment for Future Growth

RMAX Competitive Advantages

✓ Most-productive agents of any national brand\(^1\)
✓ Unique “agent-centric” model
✓ #1 global market share\(^2\)
✓ Unmatched global footprint
✓ #1 name in real estate\(^3\)
✓ Technology, tools & training
✓ Motto Mortgage

Capital Allocation Priorities

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

Energize Future Growth Through Organic & M&A Opportunities

---

\(^1\) Based on 2018 transaction sides cited in two surveys of the largest participating U.S. brokerages. The 2019 REAL Trends 500 includes data for 1,757 brokerages with at least 500 transaction sides each. The RISMedia 2019 Power Broker Top 1,000 includes data for 1,000 brokerages with the highest sales volume.

\(^2\) Based on residential real estate transaction sides

\(^3\) According to MMR Strategy Group study of unaided awareness.
Smarter Agents, Smarter Technology
The RE/MAX + booj Platform
Hallmarks of a Successful Franchise Business

Key Success Factors of Franchisors

- Unique product or service offering
- Brand name and market share
- Training and productivity tools
- Group purchasing power

Successful Franchisors
RE/MAX is a Premium Franchisor

Nobody in the world sells more real estate than RE/MAX¹

100% franchised business, delivering the full economic benefits of the model²

Dual-brand franchisor, focused on our core businesses

Among the best-in-class franchisor operating margins

¹As measured by residential transaction sides
²Excluding booj
Choose the brand with outstanding agents, leading brand awareness and an unmatched global presence.

<table>
<thead>
<tr>
<th>RE/MAX</th>
<th>Transactions Per Agent (Large brokerages only)</th>
<th>U.S. Transaction Sides</th>
<th>Brand Awareness (unaided)</th>
<th>Countries and Territories</th>
<th>Offices Worldwide</th>
<th>Agents Worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.3</td>
<td>1 million+</td>
<td>30.2%</td>
<td>110+</td>
<td>8,229</td>
<td>124,280</td>
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<td></td>
<td>10.3</td>
<td>Not Released</td>
<td>0.4%</td>
<td>11</td>
<td>500</td>
<td>8,000</td>
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<tr>
<td></td>
<td>8.6</td>
<td>128,416</td>
<td>1.3%</td>
<td>36</td>
<td>2,300</td>
<td>40,300</td>
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<td></td>
<td>8.0</td>
<td>709,117</td>
<td>15.0%</td>
<td>44</td>
<td>3,200</td>
<td>94,200</td>
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<td>7.9</td>
<td>Not Released</td>
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<td>3</td>
<td>1,450</td>
<td>50,000</td>
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<td>7.6</td>
<td>393,184</td>
<td>21.0%</td>
<td>80</td>
<td>9,600</td>
<td>127,500</td>
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<td></td>
<td>6.8</td>
<td>76,844</td>
<td>0.8%</td>
<td>4</td>
<td>360</td>
<td>12,100</td>
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<tr>
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<td>6.5</td>
<td>1 million+</td>
<td>8.0%</td>
<td>37</td>
<td>1,000</td>
<td>180,000</td>
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<tr>
<td></td>
<td>6.5</td>
<td>123,113</td>
<td>2.1%</td>
<td>72</td>
<td>1000</td>
<td>22,600</td>
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<tr>
<td></td>
<td>4.7</td>
<td>74,678</td>
<td>0.1%</td>
<td>2</td>
<td>53</td>
<td>15,570</td>
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<tr>
<td></td>
<td>4.6</td>
<td>51,000</td>
<td>0.3%</td>
<td>2</td>
<td>160</td>
<td>11,000</td>
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<tr>
<td></td>
<td>4.2</td>
<td>34,644</td>
<td>0.1%</td>
<td>1</td>
<td>238</td>
<td>8,155</td>
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<tr>
<td>COMPASS</td>
<td>3.9</td>
<td>56,000</td>
<td>0.1%</td>
<td>1</td>
<td>168</td>
<td>16,000</td>
</tr>
</tbody>
</table>

©2019 RE/MAX, LLC. Each office independently owned and operated. Data is full-year or as of year-end 2018, 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 2018; all other competitor data is from company websites and industry reports. 1Transaction sides per agent for all but Realty ONE Group are calculated by RE/MAX based on 2019 REAL Trends 500 data, citing 2018 transaction sides for the 1,757 largest participating U.S. brokerages. Coldwell Banker includes NRT. Berkshire does not include HomeServices of America. Transaction sides per agent for Realty ONE Group calculated using company's data included in above chart. 2Compass and eXp Realty totals are for residential transactions only and do not include commercial transactions; totals for all other brands include commercial transactions. 3MMR 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?
the Mortgage Brokerage Franchisor
Motto Mortgage Fact Sheet

- 100% franchised mortgage brokerage business

- *Not a lender and does not* underwrite loans

- Offers convenience to home buyers by bringing real estate agents and licensed loan originators together under one roof

- Motto Mortgage loan originators access a variety of quality loan options from multiple leading wholesalers

- Core operational team is scaling as Motto grows

- Franchises can be purchased by select qualified candidates both within and outside of RE/MAX network
Motto Mortgage Timeline

Franchise Sold

Attend Training

License Obtained

Franchise Opens

Estimated 12 to 14 months

Franchisee Ramps to Paying $4,500 Monthly Royalty Fee

Illustrative of an expected sequence and timing of events for a new Motto Mortgage franchisee. Actual sequence and timing of events may vary.
Motto Mortgage Continues to Grow and Recently Sold 150th Franchise
RE/MAX® Agent Count Growth
Global Agent Network Growing

Total Network Agent Count

- +35,272 agents from 2012-2018
- Approximately half of our agents are in the U.S.
- 4,353 agents added LTM
Unmatched Global Footprint

The RE/MAX brand spans over 110 countries and territories.
Growing Our Global Network
Year-over-Year Agent Count Growth of 3.5%

Agent Count Change Year-over-Year
- **Total RE/MAX**
  - September 30, 2018: 123,905
  - September 30, 2019: 128,258
  - **+3.5% YoY (+4,353 agents)**

- **U.S. & Canada**
  - September 30, 2018: 85,698
  - September 30, 2019: 84,067
  - **-1.9% YoY (-1,631 agents)**

- **Outside U.S. & Canada**
  - September 30, 2018: 38,207
  - September 30, 2019: 44,191
  - **+15.7% YoY (+5,984 agents)**
Agent Count Change in the U.S. and Canada

Agent Count Change Year-over-Year
September 30, 2019 over September 30, 2018

Agents in the U.S.
-2.7% (-1,742 Agents)

Agents in Canada
+0.5% (+111 Agents)
RE/MAX® Business Model
Unique and Effective Agent-Centric RE/MAX Model

**Traditional Brokerage**

- Owned & operated by brokerage
- 30-40% of commission goes to broker\(^1\)
- Commission rate typically determined by brokerage, not agent
- Lack of autonomy within brokerage
- Marketing dictated by brokerage

**The RE/MAX Model**

- 100% franchised\(^2\)
- Recommended 95% agent commission
- Ability for agent to set commission rates with sellers in many cases
- Entrepreneurially driven agents
- Multiple support channels: brand, marketing & training

---

\(^1\) In some cases, with a cap
\(^2\) Excluding booj
Differentiated Agent-Centric Approach Attracts Entrepreneurial Agents and Franchisees

Our Agents and Franchisees are in Business FOR Themselves, But NOT by Themselves

- #1 name in real estate¹
  - RE/MAX agents average more than twice as many residential transaction sides compared to the average of all competitors in the 2019 Real Trends 500 survey of the country’s largest brokerages²

- Attractive Agent & Franchise Economics
  - Recommended 95% / 5% split with broker vs. 70% / 30% or 60% / 40% at traditional brokerages
  - Sell more, earn more
  - Relatively low initial franchisee fee

- Lead Referral System
  - We believe we generate more free leads than any other brand
  - Global agent network facilitates agent-to-agent referrals
  - #1 real estate franchisor website³; global websites attract buyers and sellers

- Training Programs
  - RE/MAX University; 24/7 on demand and certification training courses
  - Motto Mortgage training program in place for existing and new franchisees

- Entrepreneurial Culture
  - Founded by industry “mavericks”
  - Agent-centric model
  - Freedom to set commission rates, self-promote, etc.

¹MMR Strategy Group study of unaided awareness.
²Transaction sides per agent calculated by RE/MAX based on 2019 REAL Trends 500 data, citing 2018 transaction sides for the 1,757 largest participating U.S. brokerages for which agent counts were reported.
³According to Hitwise data
Reacquiring Independent Regions Increases Annual Revenue Per Agent by ~$1,900

66% of Agents in the U.S. & Canada are in Company-owned Regions

U.S./Canada Overview

- **Company-owned Regions**
  - 19 regions
  - 56,020 agents
  - Average Annual Revenue per Agent:
    - Company-owned regions: ~$2,650
    - Independent regions: ~$750

- **Independent Regions**
  - 9 regions
  - 28,429 agents

---

1Agent counts and average revenue to RE/MAX, LLC per agent is for the year ended December 31, 2018.
Revenue Model
Company-owned Regions in U.S. & Canada

Revenue Streams from Agent to Franchisee to RE/MAX

- RE/MAX
  - $128 / Agent Per Month
  - Increased from $123 July 1, 2016

- Franchises / Brokerages
  - 1% of Agent Generated Commissions
  - $410 / Agent Per Year
  - Increased from $400 July 1, 2017

- Agents
  - Fixed Monthly Management Fee
  - Recommended 5% of Agent Generated Commissions

2018 Annual Revenue per Agent to RE/MAX (U.S. & Canada)

- ~$2,650 / Agent Average
  - ~$1,500 / Agent Average
  - ~$750 / Agent Average
  - ~$400 / Agent

1Illustrative of the majority of Company-owned Regions in the U.S.
2Annual dues are currently a flat fee of US$410/CA$410 per agent annually for our U.S. and Canadian agents. The average per agent for the year ended December 31, 2018 in Company-owned Regions reflects the impact of foreign currency movements related to revenue received from Canadian agents. The ratio of Canadian agents to U.S. agents in Independent Regions has increased as a result of U.S. Independent Region acquisitions.
Revenue Model
Independent Regions in U.S. & Canada

Revenue Streams from Agent to Franchisee to Independent Region to RE/MAX

- RE/MAX
  - 15%-30% of Continuing Franchise / Broker Fee Revenue
- Independent Regions
  - Continuing Franchise Fee
  - 1% of Agent Generated Commissions
- Franchises / Brokerages
  - Fixed Monthly Management Fee
  - Recommended 5% of Agent Generated Commissions
- Agents
  - Implied 70%-85% Upside Through Independent Region Acquisitions

2018 Annual Revenue per Agent to RE/MAX (U.S. & Canada)

- ~$750 / Agent Average
- ~$300 / Agent Average (Continuing Franchise Fees)
- ~$100 / Agent Average (Broker Fee)
- ~$350 / Agent Average (Annual Dues)

Annual dues are currently a flat fee of US$410/CA$410 per agent annually for our U.S. and Canadian agents. The average per agent for the year ended December 31, 2018 in Independent Regions reflects the impact of foreign currency movements related to revenue received from Canadian agents. The ratio of Canadian agents to U.S. agents in Independent Regions has increased as a result of U.S. Independent Region acquisitions.

Illustrative of Independent Regions in the U.S.
Franchise Sales Drive Agent Growth

Global Franchise Sales Consistently Strong

- Target underpenetrated geographies in the U.S. and Canada where RE/MAX share is below network average
- Selling to entrepreneurial brokers who will grow the business
- Best global franchise sales in over a decade in 2018
Annual Financial Performance
Generating High Margins

Revenue

($M)

2016 2017 2018

$176 $194 $213

Adjusted EBITDA\(^1\)

($M)

2016 2017 2018

$94 $102 $104

Adjusted Net Income\(^1\)

($M)

2016 2017 2018

$52 $56 $68

Stable, High Adjusted EBITDA Margins

53% 53% 49%

\(^1\)Adjusted EBITDA and Adjusted Net Income are Non-GAAP measures. See Appendix for definitions and reconciliations of Non-GAAP measures.
Quarterly Financial Performance
Generating High Margins

Stable, High Adjusted EBITDA Margins

1Adjusted EBITDA and Adjusted Net Income are Non-GAAP measures. See Appendix for definitions and reconciliations of Non-GAAP measures.

2Adjusted EBITDA margins for the three months ended March 31, 2019, the three months ended June 30, 2019 and the three months ended September 30, 2019 were impacted by the acquisition of the Marketing Funds on January 1, 2019. The Marketing Funds have no impact to Adjusted EBITDA as revenues from the Marketing Funds are offset by an equal amount of expenses; however, there is an impact to Adjusted EBITDA margin due to higher revenue from the Marketing Funds. Excluding the impact of the Marketing Funds, Adjusted EBITDA margin was 44%, 56% and 50% for the three months ended March 31, 2019, the three months ended June 30, 2019, and the three months ended September 30, 2019, respectively.
Revenue by Stream and Geographic Area
Growing Recurring Revenue Base

2018 Revenue Streams

- 2018 Revenue Streams
- Franchise Sales & Other Revenue: 47%
- Broker Fees: 22%
- Annual Dues: 17%
- Continuing Franchise Fees: 14%

Recurring fees and dues (i.e. Continuing Franchise Fees and Annual Dues) accounted for 64% of revenue in 2018

2018 Revenue by Geographic Area

- Outside the U.S. and Canada
  - U.S.: 84%
  - Canada: 11%
  - Outside: 5%

~95% of 2018 revenue was generated in the U.S. and Canada
Low Leverage to Support Strategy

Maturities of Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$0.7</td>
</tr>
<tr>
<td>2020</td>
<td>$2.7</td>
</tr>
<tr>
<td>2021</td>
<td>$2.4</td>
</tr>
<tr>
<td>2022</td>
<td>$2.4</td>
</tr>
<tr>
<td>2023</td>
<td>$220.3</td>
</tr>
<tr>
<td>Thereafter</td>
<td></td>
</tr>
</tbody>
</table>

Balance Sheet

- Credit facility of $235.0 million plus $10.0 million revolving credit facility
- Covenant light deal
- Variable Rate: LIBOR + 275bps with 0.75% floor
- $226.2 million in outstanding debt and no revolving loans outstanding
- Cash balance of $87.8 million on September 30, 2019
- Total Debt / Adjusted EBITDA of 2.2x
- Net Debt / Adjusted EBITDA of 1.3x

1 Net of unamortized debt discount and debt issuance costs
2 Adjusted EBITDA is a non-GAAP number and excludes 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 September 30, 2019, Adjusted EBITDA of $104.3M and total debt of $226.2M, net of unamortized debt discount and debt issuance costs.
4 Based on twelve months ended September 30, 2019, Adjusted EBITDA of $104.3M and net debt of $138.4M, net of unamortized debt discount, debt issuance costs and unrestricted cash balance at September 30, 2019.
### Cash Flow Generation Fuels Capital Allocation Strategy

#### Strong Annual Adjusted EBITDA Conversion to FCF

<table>
<thead>
<tr>
<th></th>
<th>Full Year 2018</th>
<th>$’s in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>$76</td>
<td></td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$68</td>
<td></td>
</tr>
<tr>
<td>Free Cash Flow after Distributions to RIHI</td>
<td>$64</td>
<td></td>
</tr>
<tr>
<td>Unencumbered Cash Generated</td>
<td>$61</td>
<td></td>
</tr>
</tbody>
</table>

**As % of Adj. EBITDA**

- 66%
- 61%
- 58%

#### Capital Allocation Priorities

1. **Acquire independent regions**
2. **Reinvest in the business**
3. **Other acquisitions**
4. **Return of capital**

---

1. Free Cash Flow = Operating Cash Flow – Capital Expenditures
2. Free Cash Flow after Distributions to RIHI = Free Cash Flow – Tax and other discretionary non-dividend distributions paid to RIHI to enable RIHI to satisfy its income tax obligations
3. Unencumbered Cash Generated = Free Cash Flow after Distributions to RIHI – Quarterly debt principal payments – Annual excess cash flow payment on debt, see Appendix for reconciliation of Non-GAAP measures
Leading Real Estate Franchisor

#1 Real Estate Franchise Brand\(^1\) with Unmatched Global Footprint

Highly Productive Network of More Than 125,000 Agents

Agent-Centric Model is Different and Better

Stable, Recurring Fee-Based Revenue Model with Strong Margins and Cash Flow

100% Franchised Business\(^2\)

Multiple Drivers of Shareholder Value Creation

\(^1\)Source: MMR Strategy Group study of unaided awareness.
\(^2\)Excluding booj
Industry Forecasts

**Monthly Existing Home Sales** (Thousands)

- May 2014 to May 2019

**Annual Existing Home Sales** (Millions)

- Fannie Mae
- NAR

- 2017: 5.51 (F) vs. 5.51 (N)
- 2018: 5.34 (F) vs. 5.34 (N)
- 2019: 5.34 (F) vs. 5.36 (N)
- 2020e: 5.39 (F) vs. 5.56 (N)

**Home Price Appreciation** (YoY)

- Fannie Mae
- NAR

- 2017: 6.9% (F) vs. 5.7% (N)
- 2018: 6.0% (F) vs. 4.9% (N)
- 2019e: 5.2% (F) vs. 4.3% (N)
- 2020e: 4.1% (F) vs. 3.6% (N)

**Housing Starts - Single Family** (Thousands)

- Fannie Mae
- NAHB

- 2017: 849 (F) vs. 903 (N)
- 2018: 852 (F) vs. 902 (N)
- 2019: 876 (F) vs. 869 (N)
- 2019e: 873 (F) vs. 879 (N)

---

1. Source: NAR (National Association of Realtors) – Existing Home Sales, numbers presented are not seasonally adjusted; May 2014 through September 2019
2. Source: NAR (National Association of Realtors) – U.S. Economic Outlook, November 2019
3. Source: Fannie Mae – Economic and Strategic Research – Housing Forecast, October 2019
4. Source: NAHB (National Association of Home Builders) – Housing and Interest Rate Forecast, June 2019
Mortgage Finance Forecasts
Purchase Originations Expected to Grow, Rates to Flatten

Loan Originations\(^1\) (\$’s in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase</th>
<th>Refinance</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>$1,110</td>
<td>$600</td>
</tr>
<tr>
<td>2018</td>
<td>$1,209</td>
<td>$467</td>
</tr>
<tr>
<td>2019e</td>
<td>$1,270</td>
<td>$793</td>
</tr>
<tr>
<td>2020e</td>
<td>$1,290</td>
<td>$599</td>
</tr>
</tbody>
</table>

Mortgage & Interest Rates\(^1\)

- 30-Year Fixed
- 10-Year Treasury

Source: Mortgage Bankers Association – MBA Mortgage Finance Forecast October 2019
## RE/MAX Holdings, Inc.
### Agent Count

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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company-owned regions (1)</td>
<td>48,576</td>
<td>49,318</td>
<td>49,411</td>
<td>48,240</td>
<td>37,250</td>
<td>35,299</td>
<td>33,416</td>
<td>25,819</td>
</tr>
<tr>
<td>Independent regions (1)</td>
<td>13,972</td>
<td>13,804</td>
<td>13,751</td>
<td>15,490</td>
<td>22,568</td>
<td>21,806</td>
<td>21,075</td>
<td>25,984</td>
</tr>
<tr>
<td><strong>U.S. Total</strong></td>
<td>62,548</td>
<td>63,122</td>
<td>63,162</td>
<td>61,730</td>
<td>59,918</td>
<td>57,105</td>
<td>54,491</td>
<td>51,803</td>
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<tr>
<td><strong>Canada</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company-owned regions</td>
<td>6,402</td>
<td>6,702</td>
<td>6,882</td>
<td>6,713</td>
<td>6,553</td>
<td>6,281</td>
<td>6,084</td>
<td>6,070</td>
</tr>
<tr>
<td>Independent regions</td>
<td>15,117</td>
<td>14,625</td>
<td>14,230</td>
<td>13,959</td>
<td>13,115</td>
<td>12,779</td>
<td>12,838</td>
<td>12,790</td>
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<tr>
<td><strong>Canada Total</strong></td>
<td>21,519</td>
<td>21,327</td>
<td>21,112</td>
<td>20,672</td>
<td>19,772</td>
<td>19,040</td>
<td>18,922</td>
<td>18,845</td>
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<tr>
<td><strong>U.S. &amp; Canada Total</strong></td>
<td>84,067</td>
<td>84,449</td>
<td>84,274</td>
<td>82,402</td>
<td>79,586</td>
<td>76,145</td>
<td>73,413</td>
<td>70,689</td>
</tr>
<tr>
<td><strong>Outside U.S. and Canada</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company-owned regions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>328</td>
<td>338</td>
<td>336</td>
</tr>
<tr>
<td>Independent regions</td>
<td>44,191</td>
<td>39,831</td>
<td>34,757</td>
<td>29,513</td>
<td>25,240</td>
<td>21,537</td>
<td>19,477</td>
<td>18,003</td>
</tr>
<tr>
<td><strong>Outside U.S. and Canada Total</strong></td>
<td>44,191</td>
<td>39,831</td>
<td>34,757</td>
<td>29,513</td>
<td>25,240</td>
<td>21,537</td>
<td>19,477</td>
<td>18,003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>128,258</td>
<td>124,280</td>
<td>119,041</td>
<td>111,015</td>
<td>104,826</td>
<td>98,010</td>
<td>93,228</td>
<td>89,088</td>
</tr>
</tbody>
</table>

### Footnote:
(1) As of each quarter end date 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 Illinois region. 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/MAX of Georgia, Inc., RE/MAX of Kentucky/Tennessee, Inc. and RE/MAX of Southern Ohio, Inc., collectively, including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the states of Georgia, Kentucky, Tennessee and Southern Ohio. 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. As of each quarter end since December 31, 2016, U.S. Company-owned Regions include agents in the Alaska region, which converted from an Independent Region to a Company-owned Region in connection with the acquisition of certain assets of RE/MAX of Alaska, Inc. (“RE/MAX of Alaska”), including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the state of Alaska. As of each quarter end since December 31, 2016, U.S. Company-owned Regions include agents in the New York 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 York, Inc. (“RE/MAX of New York”), including the regional franchise agreements issued by us permitting the sale of RE/MAX franchises in the state of New York. As of the quarter end date, the New York region had 969 agents.
RE/MAX Holdings, Inc.

Adjusted EBITDA Reconciliation to Net Income
(Reflects RE/MAX Holdings with 100% ownership of RMCO, LLC)

(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$50,385</td>
<td>$31,815</td>
<td>$46,848</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,678</td>
<td>20,512</td>
<td>16,094</td>
</tr>
<tr>
<td>Interest expense</td>
<td>12,051</td>
<td>9,996</td>
<td>8,596</td>
</tr>
<tr>
<td>Interest income</td>
<td>(676)</td>
<td>(352)</td>
<td>(160)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>15,799</td>
<td>57,047</td>
<td>15,167</td>
</tr>
<tr>
<td>EBITDA</td>
<td>98,217</td>
<td>119,018</td>
<td>86,645</td>
</tr>
</tbody>
</table>

(Gain) loss on sale or disposition of assets and sublease, net (1)
Loss on early extinguishment of debt and debt modification expense
Equity-based compensation
Public offering related expenses
Acquisition-related expense (2)
Gain on reduction in TRA liability (3)
Special Committee investigation and remediation expense (4)
Fair value adjustments to contingent consideration (5)

Adjusted EBITDA (6) $104,316 $102,145 $93,789
Adjusted EBITDA Margin (6) 49.1% 52.7% 53.4%

---

Footnote:

(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. Adjustments for subleases relate only to 2018 as such accounting was changed with the implementation of new accounting for leases.

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

(3) Gain on reduction in tax receivable agreement liability is a result of the Tax Cuts and Jobs Act enacted in December 2017 and further branded in 2018.

(4) 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.

(5) 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"), a franchisor of mortgage brokers that created concepts used to develop Moto.

(6) Non-GAAP measure. See the end of this presentation for definitions of Non-GAAP measures.
## Adjusted EBITDA Reconciliation to Net Income
(Reflects RE/MAX Holdings with 100% ownership of RMCO, LLC)

(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2019</th>
<th>Q2 2019</th>
<th>Q1 2019</th>
<th>Q4 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$17,204</td>
<td>$16,133</td>
<td>$8,257</td>
<td>$11,066</td>
<td>$15,541</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,595</td>
<td>5,541</td>
<td>5,558</td>
<td>5,426</td>
<td>5,608</td>
</tr>
<tr>
<td>Interest expense</td>
<td>3,089</td>
<td>3,154</td>
<td>3,155</td>
<td>3,106</td>
<td>3,050</td>
</tr>
<tr>
<td>Interest income</td>
<td>(412)</td>
<td>(342)</td>
<td>(320)</td>
<td>(279)</td>
<td>(180)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>3,453</td>
<td>3,186</td>
<td>1,908</td>
<td>7,370</td>
<td>3,420</td>
</tr>
<tr>
<td>EBITDA</td>
<td>28,989</td>
<td>27,672</td>
<td>18,558</td>
<td>26,689</td>
<td>27,439</td>
</tr>
</tbody>
</table>

(Gain) loss on sale or disposition of assets and sublease, net
- (10) (18) 379 7 (5)

Equity-based compensation expense (1)
- (987) 1,796 4,051 3,035 2,717

Acquisition-related expense (2)
- 181 15 72 6 141

Gain on reduction in TRA liability (3)
- - - (6,145) -

Special Committee investigation and remediation expense (4)
- - - 101 111

Fair value adjustments to contingent consideration (5)
- (15) 415 (70) (429) (940)

Adjusted EBITDA (6)
- $28,158 $29,882 $22,990 $23,264 $29,463

Adjusted EBITDA Margin (6)
- 39.4% 41.9% 32.2% 45.8% 53.7%

---

Footnote:
1. For the three and nine months ended September 30, 2019, the Company reversed expense for performance awards for certain bog work deliverables as well as for certain revenue performance awards. The bog delivery date was extended to December 31, 2019.
2. Acquisition-related expense includes legal, accounting, advisory and consulting fees incurred in connection with the acquisition and integration of acquired companies.
3. Gain on reduction in tax receivable agreement liability is a result of the Tax Cuts and Jobs Act enacted in December 2017 and further clarified in 2018.
4. 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.
5. 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 Corporation, Inc. ("Full House"), a franchisor of mortgage brokers that created concepts used to develop Moto.
6. Non-GAAP measure. See the end of this press release for definitions of non-GAAP measures.
# RE/MAX Holdings, Inc.
## Adjusted Net Income
(Reflects RE/MAX Holdings with 100% ownership of RMCO, LLC)

(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>$50,365</td>
<td>$31,815</td>
<td>$46,848</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>17,502</td>
<td>17,741</td>
<td>14,590</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>15,799</td>
<td>57,047</td>
<td>15,167</td>
</tr>
<tr>
<td><strong>Add backs:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Gain) loss on sale or disposition of assets and sublease, net (1)</td>
<td>(139)</td>
<td>4,260</td>
<td>(171)</td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and debt modification expense</td>
<td>-</td>
<td>-</td>
<td>2,893</td>
</tr>
<tr>
<td>Equity-based compensation expense</td>
<td>9,176</td>
<td>2,900</td>
<td>2,330</td>
</tr>
<tr>
<td>Public offering related expense</td>
<td>-</td>
<td>-</td>
<td>193</td>
</tr>
<tr>
<td>Acquisition-related expense (2)</td>
<td>1,634</td>
<td>5,889</td>
<td>1,699</td>
</tr>
<tr>
<td>Gain on reduction in TRA liability (3)</td>
<td>(6,145)</td>
<td>(32,736)</td>
<td>-</td>
</tr>
<tr>
<td>Special Committee investigation and remediation expense (4)</td>
<td>2,862</td>
<td>2,634</td>
<td>-</td>
</tr>
<tr>
<td>Fair value adjustments to contingent consideration (5)</td>
<td>(1,289)</td>
<td>180</td>
<td>100</td>
</tr>
<tr>
<td><strong>Adjusted pre-tax net income</strong></td>
<td>89,765</td>
<td>89,730</td>
<td>83,849</td>
</tr>
<tr>
<td>Less: Provision for income taxes at 24% for 2018 and 38% 2017 and 2016</td>
<td>(21,544)</td>
<td>(34,097)</td>
<td>(31,863)</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong> (6)</td>
<td>$68,221</td>
<td>$55,633</td>
<td>$51,986</td>
</tr>
</tbody>
</table>

(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 and 2016 financial results have been recast to reflect this change.

### Footnote:

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. Adjustments for subleases relate only to 2018 as such accounting was changed with the implementation of new accounting for leases.

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

3. Gain on reduction in tax receivable agreement liability is a result of the Tax Cuts and Jobs Act enacted in December 2017 and further clarified in 2018.

4. 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.

5. 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”), a franchisor of mortgage brokers that created concepts to develop more...

6. Non-GAAP measure. See the end of this document for definitions of non-GAAP measures.
## Adjusted Net Income

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

(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2019</th>
<th>Q2 2019</th>
<th>Q1 2019</th>
<th>Q4 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>$17,264</td>
<td>$16,133</td>
<td>$8,257</td>
<td>$11,066</td>
<td>$15,541</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>4,459</td>
<td>4,406</td>
<td>4,465</td>
<td>4,460</td>
<td>4,841</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>3,453</td>
<td>3,186</td>
<td>1,908</td>
<td>7,370</td>
<td>3,420</td>
</tr>
<tr>
<td><strong>Add-backs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Gain) loss on sale or disposition of assets and sublease, net</td>
<td>(10)</td>
<td>(16)</td>
<td>379</td>
<td>7</td>
<td>(5)</td>
</tr>
<tr>
<td>Equity-based compensation expense (1)</td>
<td>(987)</td>
<td>1,796</td>
<td>4,051</td>
<td>3,035</td>
<td>2,717</td>
</tr>
<tr>
<td>Acquisition-related expense (2)</td>
<td>181</td>
<td>15</td>
<td>72</td>
<td>6</td>
<td>141</td>
</tr>
<tr>
<td>Gain on reduction in TRA liability (3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,145)</td>
<td>-</td>
</tr>
<tr>
<td>Special Committee investigation and remediation expense (4)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>101</td>
<td>111</td>
</tr>
<tr>
<td>Fair value adjustments to contingent consideration (5)</td>
<td>15</td>
<td>415</td>
<td>70</td>
<td>429</td>
<td>540</td>
</tr>
<tr>
<td><strong>Adjusted pre-tax net income</strong></td>
<td>24,345</td>
<td>25,995</td>
<td>19,062</td>
<td>19,477</td>
<td>25,326</td>
</tr>
<tr>
<td><strong>Less: Provision for income taxes at 24%</strong></td>
<td>(5,843)</td>
<td>(6,239)</td>
<td>(4,575)</td>
<td>(4,675)</td>
<td>(6,198)</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong> (8)</td>
<td><strong>$18,502</strong></td>
<td><strong>$19,756</strong></td>
<td><strong>$14,487</strong></td>
<td><strong>$14,802</strong></td>
<td><strong>$19,628</strong></td>
</tr>
</tbody>
</table>

### Footnote:

1. For the three and nine months ended September 30, 2019, the Company reversed expense for performance awards for certain broker work deliverables as well as for certain revenue performance awards. The broker delivery date was extended to December 31, 2019.

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

3. Gain on reduction in tax receivable agreement liability is a result of the Tax Cuts and Jobs Act enacted in December 2017 and further clarified in 2018.

4. 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.

5. 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”), a franchise of mortgage brokers that created concepts used to develop Motto.

6. 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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations</td>
<td>$70,064</td>
<td>$83,288</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and software</td>
<td>(7,787)</td>
<td>(2,125)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>68,277</strong></td>
<td><strong>61,162</strong></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>68,277</td>
<td>61,162</td>
</tr>
<tr>
<td>Less: Tax/Other non-dividend distributions to RIHI</td>
<td>(1,511)</td>
<td>(6,217)</td>
</tr>
<tr>
<td><strong>Free cash flow after tax/non-dividend distributions to RIHI</strong></td>
<td><strong>66,766</strong></td>
<td><strong>54,945</strong></td>
</tr>
<tr>
<td>Free cash flow after tax/non-dividend distributions to RIHI</td>
<td>66,766</td>
<td>54,945</td>
</tr>
<tr>
<td>Less: Quarterly debt principal payments</td>
<td>(3,126)</td>
<td>(2,350)</td>
</tr>
<tr>
<td><strong>Unencumbered cash generated</strong></td>
<td><strong>$60,640</strong></td>
<td><strong>$50,595</strong></td>
</tr>
</tbody>
</table>

### Summary

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$61,162</td>
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<td>$66,766</td>
<td>$54,945</td>
</tr>
<tr>
<td>Unencumbered cash generated</td>
<td>$60,640</td>
<td>$50,595</td>
</tr>
</tbody>
</table>

### Adjusted EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>$104,318</td>
<td>$102,145</td>
</tr>
<tr>
<td>Free cash flow as % of Adjusted EBITDA</td>
<td>65.5%</td>
<td>59.9%</td>
</tr>
<tr>
<td>Free cash flow less distributions to RIHI as % of Adjusted EBITDA</td>
<td>61.1%</td>
<td>51.8%</td>
</tr>
<tr>
<td>Unencumbered cash generated as % of Adjusted EBITDA</td>
<td>56.1%</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

---

**Footnote:**

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

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*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.*
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, gain on reduction in tax receivable agreement liability, expense or income related to changes in the estimated fair value measurement of contingent consideration, and other non-recurring items.

Because Adjusted EBITDA and Adjusted EBITDA margin omit certain non-cash items and other non-recurring cash charges or other items, the Company believes that each measure is less susceptible to variances that affect its operating performance resulting from depreciation, amortization and other non-cash and non-recurring cash charges or other items. The Company presents Adjusted EBITDA and the related Adjusted EBITDA margin because the Company believes they are useful as supplemental measures in evaluating the performance of its operating businesses and provides greater transparency into the Company’s results of operations. The Company’s management uses Adjusted EBITDA and Adjusted EBITDA margin as factors in evaluating the performance of the business.

Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider these measures in isolation or as a substitute for analyzing the Company’s results as reported under U.S. GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirements for, the Company’s working capital needs;
- these measures do not reflect the Company’s interest expense, or the cash requirements necessary to service interest or principal payments on its debt;
- these measures do not reflect the Company’s income tax expense or the cash requirements to pay its taxes;
- these measures do not reflect the cash requirements to pay dividends to stockholders of the Company’s Class A common stock and tax and other cash distributions to its non-controlling unitholders;
- these measures do not reflect the cash requirements pursuant to the tax receivable agreements;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements;
- although equity-based compensation is a non-cash charge, the issuance of equity-based awards may have a dilutive impact on earnings per share; and
- other companies may calculate these measures differently so similarly named measures may not be comparable.

The Company’s Adjusted EBITDA guidance does not include certain charges and costs. The adjustments to EBITDA in future periods are generally expected to be similar to the kinds of charges and costs excluded from Adjusted EBITDA in prior quarters, such as gain on sale or disposition of assets and sublease and acquisition-related expense, among others. The exclusion of these charges and costs in future periods will have a significant impact on the Company’s Adjusted EBITDA. The Company is not able to provide a reconciliation of the Company’s non-GAAP financial guidance to the corresponding U.S. GAAP measures without unreasonable effort because of the uncertainty and variability of the nature and amount of these future charges and costs.

Non-GAAP Financial Measures
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 and remediation expense, 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.