

RE/MAX Holdings, Inc.
Form 10-K
February 22, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36101

RE/MAX Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
5075 South Syracuse Street

Denver, Colorado
(Address of principal executive offices)

80-0937145
(I.R.S. Employer

Identification Number)

80237
(Zip code)

(303) 770-5531

(Registrants' telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	New York Stock Exchange

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

None

Indicate by check mark if the registrant is well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company
			Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

As of June 30, 2018, the last business day of the registrant's most recently completed second quarter, the aggregate value of the registrant's common stock held by non-affiliates was approximately \$927.1 million, based on the number of shares held by non-affiliates as of June 30, 2018 and the closing price of the registrant's common stock on the New York Stock Exchange on June 30, 2018. Shares of common stock held by each executive officer and director have been excluded since those persons may under certain circumstances be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's Class A common stock, par value \$0.0001 per share, and Class B common stock, par value \$0.0001, as of January 31, 2019 was 17,754,416 and 1, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2018 Annual Meeting of Stockholders are incorporated into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2018.

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RE/MAX HOLDINGS, INC.

2018 ANNUAL REPORT ON FORM 10-K

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements are often identified by the use of words such as “believe,” “intend,” “expect,” “estimate,” “plan,” “outlook,” “project,” “anticipate,” “may,” “will,” “would” and 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:

- our expectations regarding consumer trends in residential real estate transactions;
 - our expectations regarding overall economic and demographic trends, including the health of the United States (“U.S.”) and Canadian residential real estate markets, and how they affect our performance;
- our growth strategies of growing our RE/MAX and Motto Mortgage brands, including (a) increasing RE/MAX agent count, increasing the number of closed transaction sides and transaction sides per RE/MAX agent, and (b) increasing the number of open Motto Mortgage offices;
- the anticipated benefits of the acquisition and integration of Active Website, LLC and our other technology initiatives, including our expectation regarding the timing of such initiatives and benefits;
- the continued strength of our brand both in the U.S. and Canada and in the rest of the world;
- the pursuit of future acquisitions of Independent Regions;
- our intention to pay dividends;
- our future financial performance;
- our ability to forecast selling, operating and administrative expenses;
- the effects of laws applying to our business;
- our ability to retain our senior management and other key employees;
- our intention to pursue additional intellectual property protections;
- our future compliance with U.S. or state franchise regulations;
- other plans and objectives for future operations, growth, initiatives, acquisitions or strategies, including investments in our technology;
- our ability to effectively implement and account for changes in U.S. tax laws, including the Tax Cuts and Jobs Act.
- the implications of the Special Committee investigation and the impact of the findings and recommendations on us and our operations, including the effect of measures we took in response to the investigation; and
- our Board of Directors and management structure, including the roles of Adam Contos and the senior management team, the roles of David Liniger and of Richard Covey and the independent members of the Board of Directors.

These and other forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed in “Item 1A.—Risk Factors” and in “Item 7.—Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

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We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

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PART I

ITEM 1. BUSINESS

Overview

We are one of the world’s leading franchisors in the real estate industry, franchising real estate brokerages globally under the RE/MAX brand (“RE/MAX”) and mortgage brokerages within the U.S. under the Motto Mortgage brand (“Motto”). RE/MAX and Motto are 100% franchised—we do not own any of the brokerages that operate under these brands. We focus on enabling our franchisees’ success by providing quality education and training, powerful technology tools and support and valuable marketing to build the strength of the RE/MAX and Motto brands. Although we partner with our franchisees to assist them in growing their brokerages, they fund the cost of developing their brokerages. As a result, we maintain a low fixed-cost structure which, combined with our recurring fee-based models, enables us to capitalize on the economic benefits of the franchising model, yielding high margins and significant cash flow.

Our History. RE/MAX was founded in 1973 with an innovative, entrepreneurial culture affording our franchisees and their agents the flexibility to operate their businesses with great independence. In the early years of our expansion in the U.S. and Canada, we accelerated the brand’s growth by selling regional franchise rights to independent owners for certain geographic regions, a practice we still employ in countries outside of the U.S. and Canada. RE/MAX has held the number one market share in the U.S. and Canada combined since 1999, as measured by total residential transaction sides completed by our agents. On June 25, 2013, RE/MAX Holdings, Inc. (“RE/MAX Holdings”) was formed as a Delaware corporation, and shares of our Class A common stock began trading on the New York Stock Exchange under the symbol “RMAX” on October 2, 2013. On October 7, 2013, RE/MAX Holdings completed an initial public offering of its shares of Class A common stock. In October 2016, we launched Motto, the first national mortgage brokerage franchise offering in the United States. On February 26, 2018, we acquired Active Website, LLC, (“booj”), a real estate technology company, in order to deliver core technology solutions designed for and with RE/MAX affiliates.

Our Brands. RE/MAX. The RE/MAX strategy is to sell franchises to real estate brokers and help those franchisees recruit and retain the best agents. The RE/MAX brand is built on the strength of our global franchise network, which is designed to attract and retain the best-performing and most experienced agents by maximizing their opportunity to retain a larger portion of their commissions. As a result of our unique agent-centric approach, we have established a nearly 50-year track record of helping millions of homebuyers and sellers achieve their goals, creating several competitive advantages in the process:

- **Leading agent productivity.** We believe that RE/MAX agents are substantially more productive than the industry average. In fact, RE/MAX agents at large brokerages on average outsell competing agents more than two-to-one based on a survey of the largest participating U.S. brokerages per the 2018 REAL Trends 500.

	Transactions Per Agent
	(Large Brokerages Only) (1)
RE/MAX	17.0
Realty Executives	11.1
Berkshire Hathaway	9.4
ERA Real Estate	8.8

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Coldwell Banker	8.2
Century 21	7.8
Better Homes and Gardens	6.8
Sotheby's International Realty	6.6
Keller Williams Realty	6.6
Compass	5.2
HomeSmart	3.9
eXp Realty	3.8

(1) Transaction sides per agent are calculated by RE/MAX based on 2018 REAL Trends 500 data, citing 2017 transaction sides for the 1,752 largest participating U.S.

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brokerages for which agent counts were reported. Coldwell Banker includes NRT. Berkshire does not include HomeServices of America.

- Leading market share. Nobody in the world sells more real estate than RE/MAX, as measured by residential transaction sides.
- Leading brand awareness. The RE/MAX brand has the highest level of unaided brand awareness in real estate in the U.S. and Canada according to a consumer study conducted by MMR Strategy Group, and our iconic red, white and blue RE/MAX hot air balloon is one of the most recognized real estate logos in the world.
- Leading global presence. We have a growing global presence and our agent count outside the U.S. and Canada continues to increase. Today, the RE/MAX brand has over 120,000 agents operating in over 8,000 offices, and a presence in more than 110 countries and territories—a global footprint bigger than any other real estate brokerage brand in the world.

The majority of RE/MAX revenue—67% in 2018—is derived from fixed, contractual fees and dues paid to us based on the number of agents in our franchise network, so agent count, primarily in the U.S. and Canada, is a key measure of our business performance.

124,280 Agents 8,229 Offices 118 Countries and Territories

As of December 31, 2018.

Motto Mortgage. The Motto Mortgage brokerage model offers U.S. real estate brokers access to the mortgage brokerage business, which is highly complementary to our real estate business, and is designed to help Motto franchise owners comply with all applicable mortgage regulations. Motto franchisees offer potential homebuyers an opportunity to find both real estate agents and independent Motto loan originators at offices near each other. Further, Motto loan originators provide homebuyers with financing choices by providing access to a variety of quality loan options from multiple leading wholesale lenders. In addition, Motto provides powerful technology to its franchisees that simplifies the mortgage process. Motto franchisees are mortgage brokers and not mortgage bankers. Likewise, we franchise the Motto system and are not lenders or brokers.

Motto's revenue model consists of fixed, contractual fees paid monthly on a per-office basis by the broker for being a part of the Motto network and for use of the Motto brand, and from sales of individual franchises. We are not compensated based on the volume of loans completed by a franchise. We believe it will generally take 14 to 17 months after the sale of a Motto franchise for a franchisee to ramp up to paying a full set of monthly fees. Approximately 80 Motto franchises were operational as of December 31, 2018. We remain focused on enabling the success of these initial franchises, which we believe will serve as concept validators. Motto franchisees should profit by attracting and retaining professional, highly productive loan originators who provide superior client service and value.

Industry Overview and Trends

We are a franchisor of businesses in two facets of the real estate industry—real estate brokerages and mortgage brokerages. With approximately 95% of our revenue and nearly three-quarters of our RE/MAX agent count coming from

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our franchising operations in the U.S. and Canada, we are significantly affected by the real estate market in the U.S. and Canada.

The U.S. and Canadian Real Estate Industry are Large Markets. The U.S. residential real estate industry is an approximately \$1.83 trillion market based on 2018 sales volume, according to U.S. Census Bureau data and existing home sales information from the National Association of Realtors (“NAR”). Canadian home sales totaled approximately CA\$222 billion in 2018, according to the Canadian Real Estate Association (“CREA”).

How Brokerages Make Money. Residential real estate brokerages typically realize revenue by charging a commission based on a percentage of the price of the home sold and/or by charging their agents, who are independent contractors, fees for services rendered. The real estate brokerage industry generally benefits in periods of rising home prices and transaction activity (with the number of licensed real estate agents generally increasing during such periods) and is typically adversely impacted in periods of falling prices and home sale transactions (with the number of licensed real estate agents generally decreasing during such periods).

Residential mortgage brokerages typically realize revenue by charging fees for their service, which is based on a percentage of the mortgage loan amount. The mortgage brokerage industry generally benefits from periods of increasing home sales activity, as this generally results in increased purchase-money mortgage originations (loans that arise during the initial sale of a house), and periods when homeowners refinance to take advantage of lower interest rates. The mortgage brokerage industry is usually adversely impacted in periods of decreasing home sales activity, as this results in less purchase-money mortgage originations, and periods of less favorable interest rates making homeowners less likely to refinance.

The Residential Real Estate Industry is Cyclical in Nature. The residential real estate industry is cyclical in nature but has shown strong long-term growth. As illustrated below, the number of existing home sales transactions in the U.S. and Canada has generally increased during periods of economic growth:

U.S. Existing Home Sales

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Canadian Existing Home Sales

U.S. Housing Trends. After a decade of expansion following the onset of the Great Recession, the U.S. housing market slowed during the latter part of 2018, particularly in the West. For all of 2018, total existing home sales decreased 3.1 percent, the first annual decline since 2014 according to NAR. Persistent price appreciation, low housing inventory, rising interest rates, and weak wage growth were among the more meaningful contributors to the slowdown in home sales as homebuyers and sellers adapted to a shifting market. In January 2019, NAR's forecast called for stabilizing existing home sales in 2019.

As we entered 2019, the reduction in home sales transactions began to lead to increasing inventory and slowing price appreciation while mortgage rates leveled off after rising during the second half of 2018. The housing market, which has generally favored sellers over the past several years, began to shift more toward greater equilibrium which we believe will be healthy for housing over the longer term.

Additionally, household formation growth has increased demand for housing and this dynamic looks favorable for the future as discussed in more detail below. However, challenges to the housing market remain. According to the 2018 Nation's Housing Report compiled by the Joint Center for Housing Studies of Harvard University (the "Report"), supplies of single-family homes for sale remain relatively scarce, particularly at the lower-cost end of the spectrum. While it is not entirely understood why supplies are so low, the conversion of 3.9 million single-family homes to rental properties between 2006 and 2016, the ongoing decline in residential mobility rates and the low level of single-family construction are likely contributors according to the Report. Additionally, while affordability pressures have eased, the Report notes this issue remains widespread, a long-term trend for which the country has not solved.

Favorable Long-Term Demand. We believe long-term demand for housing in the U.S. is driven by many factors including the economic health of the domestic economy, demographic trends, affordability, interest rates and local factors such as demand relative to supply. We also believe the residential real estate market in the U.S. will benefit from fundamental demographic shifts over the long term, including:

- An increase in demand from rising household formations, including as a result of immigration, population growth and wealth accumulation and wage growth of minorities. According to the Report, U.S. household formations are projected to reach 12.0 million between 2017 and 2027. Although this projection is down from 2016's projection of 13.6 million, it is more in line with increases seen over the past few years. Likewise, the U.S. Census Bureau projects that the U.S. will continue to experience long-term population growth and predicts net immigration of 30 million individuals from 2014 to 2050.
- An increase in demand from generational shifts. We believe there is pent-up selling demand from generational shifts, such as many retirement age homeowners, from the "baby boom" generation, who are likely to take advantage of improved housing market conditions in order to sell their existing residences and retire in new areas of the country or purchase smaller homes. Similarly, we also believe there is pent-up buying demand among adults in the millennial generation, currently the nation's largest living generation. The millennial generation is moving into their prime home-buying years as they form households and are supported by strong employment, relatively low interest rates, and rising consumer confidence.

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Notable Broker and Agent Trends. Notable trends impacting residential real estate brokers and agents include:

- Almost 90% of all U.S. homebuyers and sellers use an agent – About 91% of sellers and 87% of purchasers were represented by a real estate agent in 2018, according to NAR data. These figures have climbed over the last decade and a half—a period of time during which technology has materially changed the typical home-buying or -selling transaction:

Percentage of Home Buyers and Sellers Using an Agent

Source: NAR Profile of Home Buyers and Sellers

- The number of agents entering the industry is increasing – NAR membership continued to grow during 2018 and was approaching its all-time record of 1.37 million members established in 2006. However, the pace of growth slowed and it remains to be seen what impact the decline in existing home sales toward the end of 2018 will have on NAR membership. Typically, during periods of expansion in the housing cycle, the numbers of agents entering the industry increase as the barriers to entry are relatively low. Many of the recent entrants are new to the profession. In fact, NAR reported in 2018 that 22% of its members had been licensed less than one year, a quadrupling of the percentage from just five years ago. In contrast, our U.S. agent count remained essentially flat in 2018. It is not uncommon for our U.S. agent growth rate to lag that of NAR. At RE/MAX, our model is not for everyone. We focus our brokers on the importance of attracting and retaining highly productive agents and those who aspire to learn and produce more.
- Competition for agents and listings remains fierce – Competition for agents, especially highly productive agents, and listings has always been fierce and today is no different. Franchisors and brokers are continually refining and fine-tuning their economic models in order to craft what they believe to be the most compelling value proposition in order to attract and retain the most productive agents and to capture consumer listings. The year 2018 remained heated in this regard as the industry witnessed the continuation of significant capital invested in relatively new entrants to our industry, resulting in many well-financed competitors offering a wide variety of business models. See Competition for additional discussion.
- The importance of technology continues to increase – We believe industry market participants will continue to focus on technology investments as evidenced by increased capital flowing into the industry. We believe mobile platforms, artificial intelligence and predictive analytics are increasingly becoming a point of focus as the industry looks to use technological advancements to simplify and streamline the oftentimes complicated process of buying and selling a home. In response, many established brokers are favoring proprietary technology as opposed to purchasing it from third parties.

Canadian Housing Trends. The housing market in Canada generally stabilized in 2018, after unprecedented increases in average sales prices in 2017. We expect the market to continue to stabilize in 2019 with only modest price increases and as Canadians react to higher interest rates, stricter qualification requirements and economic conditions. According to the 2019 RE/MAX Housing Market Outlook Report, 36% of Canadians are considering buying a property in the next five years, down from 48% from 2018. The decrease is attributed to both the actual and perceived impact of the mortgage stress test and rising interest rates on housing affordability.

The year 2018 continued to see the single-family detached home and condo markets diverge in Canada's two highest-

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priced real estate markets, Greater Vancouver and the Greater Toronto area. The mix of relative affordability for condo units and price appreciation for detached homes in recent years, combined with government policy changes in both markets has helped push an influx of buyers toward condo ownership. The Greater Vancouver condo market experienced reduced foreign buyer activity which opened more opportunity for local buyers; while the number of sales in the residential properties market dropped by 30% with the average home price only increasing approximately 2%. In the Greater Toronto area, the lack of affordability in the single-detached segment made it difficult for entry level buyers to enter the market and, as a result, the relatively affordable condo market now represents approximately 37% of total residential transactions in the Greater Toronto market.

In order to find a balance between desirable home features and affordability, many buyers are continuing to look at real estate markets outside of the country's largest urban centers. CREA projects the average residential sale price for Canada will increase 1.7% in 2019, which indicates that the desire for home ownership remains strong, particularly among Canadian millennials.

The Long-Term Value Proposition for Real Estate Brokerage Services. We believe the traditional agent-assisted business model compares favorably to alternative channels of the residential brokerage industry, such as discount brokers, "for sale by owner" listings, and lower-fee brokerages catering to consumers who use technology for some of the services traditionally provided by brokers, because full-service brokerages are best suited to address many of the key characteristics of real estate transactions, including:

- (i) the complexity and large monetary value involved in home sale transactions,
 - (ii) the infrequency of home sale transactions,
- (iii) the high price variability in the home market,
- (iv) the intimate local knowledge necessary to advise clients on neighborhood characteristics,
- (v) the unique nature of each particular home, and
- (vi) the consumer's need for a high degree of personalized advice and support in light of these factors.

For these reasons, we believe that consumers will continue to use the agent-assisted model for residential real estate transactions. In addition, although listings are available for viewing on a wide variety of real estate websites, we believe an agent's local market expertise provides the ability to better understand the inventory of for-sale homes and the interests of potential buyers. This knowledge allows the agent to customize the pool of potential homes they show to a buyer, as well as help sellers to present their home professionally to best attract potential buyers.

The Long-Term Value Proposition for Mortgage Brokerage Services. Likewise, we believe mortgage brokers provide a valuable "concierge" service for consumers. Mortgage brokers are familiar with the latest loan programs and choices available through various wholesale lenders. A professional mortgage broker can introduce consumers to loan programs from several lenders, providing choice and information consumers may be unlikely to locate on their own. In 2017, the percentage of mortgage originations handled by mortgage brokerages was substantially below average historical levels, which we believed showed potential for growth in the mortgage brokerage production channel. In 2018, we began to realize that potential as the percentage of mortgage originations handled by mortgage brokerages became more in line with our expectations and historical averages. We believe there is room for additional growth as the percentage of mortgage originations handled by mortgage brokerages in 2018 has still not reached maximum levels we have seen in the past.

Purchase-money mortgage originations correlate to the overall number of home sales and home prices. Home purchases are driven primarily by the buyer's personal and professional circumstances, whereas refinances depend mainly upon interest rates.

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According to Federal Home Loan Mortgage Corporation (known as “Freddie Mac”), purchase-money originations are expected to increase gradually in the next few years. As compared to competitors, Motto has a significantly higher ratio of purchase-money mortgage originations to refinances. We believe that the expected increase in purchase-money originations will provide a growth opportunity for a Motto franchise.

Our Franchise Model and Offering

Introduction to Franchising. Franchising is a distributed model for licensing the use of the franchisor’s system and brand. In return, the franchisee retains ownership and sole responsibility for the local business, and therefore the substantial portion of the profits it generates and its risks. The successful franchisor provides its franchisees: i) a unique product or service offering; ii) a distinctive brand name, and as the system gains market share, the favorable consumer recognition that brand comes to symbolize; iii) training, productivity tools and technology to help franchisees operate their business effectively, efficiently and successfully and iv) group purchasing power of the franchise system to obtain favorable prices for supplies, advertising, and other tools and services necessary in the operation of the business. Because franchising involves principally the development and licensing of intellectual property, and the costs of retail space and employees are borne by the individual unit owner, it is a low fixed-cost structure typified by high gross margins, allowing the franchisor to focus on innovation, franchisee training and support, and marketing to grow brand reputation.

The RE/MAX “Agent-Centric” Franchise Offering. We believe that our “agent-centric” approach is a compelling offering in the real estate brokerage industry, and it enables us to attract and retain highly effective agents and motivated franchisees to our network and drive growth in our business and profitability. Our model provides the following combination of benefits to our franchisees and agents:

- **High Agent Commission Fee Split and Low Franchise Fees.** The RE/MAX high commission split concept is a cornerstone of our model and, although not unique, differentiates us in the industry. That differentiation is most evident when our brand advantages and services are factored in as part of the concept. We recommend to our franchisees an agent-favorable commission split of 95%/5%, in exchange for the agent paying fixed fees to share the overhead and other costs of the brokerage. This model allows high-producing agents to earn a higher commission compared to traditional brokerages where the broker typically takes 30% to 40% of the agent’s commission, and it provides brokers with the resources to offer key services and support to their agents.
- **Affiliation with the Best Brand in Residential Real Estate.** With number one market share in the U.S. and Canada combined as measured by total residential transaction sides completed by RE/MAX agents, and leading unaided brand awareness in the U.S. and Canada, according to a consumer study by MMR Strategy Group, we reinforce brand awareness through marketing and advertising campaigns that are supported by our franchisees’ and agents’ local marketing.
- **Entrepreneurial, High-Performance Culture.** Our brand and the economics of our model generally attract driven, professional, highly productive franchisees, and we allow them autonomy to run their businesses independently, including, generally, the freedom to set commission rates and oversee local advertising.
- **Sophisticated Technology, including High Traffic Websites Supporting Lead Referral Systems.** Remax.com was the most visited real estate franchisor website during 2018, according to Hitwise data. When a prospective buyer inquires about a property displayed on our websites, a RE/MAX agent receives this lead through our lead referral system, LeadStreet®, without a referral fee. We believe that no other national real estate brand provides

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their agents comparable access to free leads. In addition, we believe the upcoming booj platform will provide additional powerful technology that will further enhance our franchise offering and enable us to attract and retain highly productive agents.

- RE/MAX University® Training Programs. RE/MAX University® offers on-demand access to industry information and advanced training in areas such as distressed properties, luxury properties, senior clients, buyer agency and many other specialty areas of real estate.
- RE/MAX Approved Supplier Program. Using the collective buying power of our franchise network, a network of preferred suppliers provide group discount prices, marketing materials that have been pre-vetted to comply with RE/MAX brand standards and higher quality materials that may not be cost-effective to procure on an individual office basis. These vendors provide us additional revenue in return for marketing access to our network of franchisees and agents.

We attribute our success to our ability, by providing this unique, agent-centric suite of benefits, to recruit and retain motivated franchisees and their highly productive agents. Our goal is to continue a self-reinforcing cycle that we call “Premier Market Presence,” whereby recruiting agents and franchisees helps achieve a network effect to further enhance our brand and market share, expand our franchise network and support offerings, and ultimately grow our revenue, as illustrated below:

RE/MAX Four-Tier Franchise Structure. RE/MAX is a 100% franchised business, with all of the RE/MAX branded brokerage office locations being operated by franchisees. We franchise directly in the U.S. and Canada, in what we call “Company-owned Regions.” Brokerage offices, in turn, enter into independent contractor relationships with real estate sales agents who represent real estate buyers and sellers. In the early years of our expansion in the U.S. and Canada, we sold regional franchise rights to independent owners for certain geographic regions (“Independent Regions”), pursuant to which those Independent Regions have the exclusive right to sell franchises in those regions. In recent years, we have pursued a strategy to acquire those regional franchise rights from Independent Regions in the U.S. and Canada.

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The following depicts our franchise structure and the location of our Company-owned versus Independent Regions:

Tier	Description	Services
		Regional Advertising
		Franchise Sales
		LLC performs these services.
Franchisor (RE/MAX, LLC)	Owns the right to the RE/MAX brand and sells franchises and franchising rights.	Advertising Marketing Strategies Technology
Independent Regional Franchise Owner	Owns rights to sell brokerage franchises in a specified region. Typically, 20-year agreement with up to three renewal options. RE/MAX, LLC franchises directly in Company-owned Regions, in the rest of the U.S. and Canada.	Local Services Regional Advertising Franchise Sales In Company-owned Regions, RE/MAX, LLC performs these services.
Franchisee (Broker-Owner)	Operates a RE/MAX-branded brokerage office, lists properties and recruits agents. Typically, 5-year agreement.	Office Infrastructure Sales Tools / Management Broker of Record
Agent	Branded independent contractors who operate out of local franchise brokerage offices.	Represents real estate buyer or seller Typically sets own commission rate

Company-owned Regions
Independent Regions

In general, the franchisees (or broker-owners) do not receive an exclusive territory except under certain limited circumstances. Prior to opening an office, a franchisee or principal owner is required to attend a four- to five-day training program at our global headquarters.

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RE/MAX Marketing and Promotion. We believe the widespread recognition of the RE/MAX brand and our iconic red, white and blue RE/MAX hot air balloon logo and property signs is a key aspect of our value proposition to agents and franchisees. A variety of advertising, marketing and promotion programs build our brand and generate leads for our agents, including leading websites such as remax.com, advertising campaigns using television, digital marketing, social media, print, billboards and signs, and appearances of the well-known RE/MAX hot air balloon.

Event-based marketing programs, sponsorships, sporting activities and other similar functions also promote our brand. These include our support, since 1992 for Children's Miracle Network Hospitals in the U.S. and Children's Miracle Network in Canada, to help sick and injured children. Through the Miracle Home program, participating RE/MAX agents donate to Children's Miracle Network Hospitals once a home sale transaction is complete.

Our franchisees and their agents fund nearly all of the advertising, marketing and promotion supporting the RE/MAX brand, which, in the U.S. and Canada, occurs primarily on two levels:

- Local Campaigns. Our franchisees and agents engage in extensive promotional efforts within their local markets to attract customers and drive agent and brand awareness locally. These programs are subject to our brand guidelines and quality standards for use of the RE/MAX brand, but we allow our franchisees and agents substantial flexibility to create advertising, marketing and promotion programs that are tailored to local market conditions.
- Regional and Pan-Regional Marketing Campaigns. Funds are collected from franchisees by regional advertising fund entities in Company-owned Regions to support both regional and pan-regional marketing campaigns to build brand awareness and to support the Company's agent and broker technology. The use of the fund balances is restricted by the terms of our franchise agreements. Independent Regions may contribute to national or pan-regional creative and/or media campaigns to achieve economies of scale in the purchase of advertising but are generally responsible for any regional advertising in their respective areas.

Prior to January 1, 2019, the advertising fund entities in Company-owned Regions were owned by our founder and Chairman of the Board of Directors, David Liniger, and therefore, this advertising activity is excluded from our consolidated financial statements. On January 1, 2019, the Company acquired these entities, which were then merged, except for Western Canada, into a new entity called RE/MAX Marketing Fund (with Western Canada, collectively, the "Marketing Funds"). As in the past, we are contractually obligated to use the funds collected to support regional and pan-regional marketing campaigns to build brand awareness and to support our agent and broker technology. Beginning January 1, 2019, the assets and liabilities of the Marketing Funds will be reflected in our consolidated financial statements. We will also begin recognizing revenue from the amounts collected, which substantially increases our revenues. However, because these funds are contractually encumbered for the benefit of franchisees and their agents, we expect to have equal and offsetting expenses such that there is no material impact to overall profitability as a result of this acquisition. See Note 19, Subsequent Events to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information.

The Motto Mortgage Brokerage Model. Through our Motto business, we are a mortgage brokerage franchisor, not a lender or mortgage broker. Our franchisees are brokers, not lenders, and so neither we nor our franchisees fund any loans. As a franchisor, we help our Motto franchisees establish independent mortgage brokerage companies, with a model designed to comply with all applicable regulations. The technology, training, marketing, tools and other services that we provide to Motto franchisees have been designed to enable real estate brokers—both RE/MAX franchisees and other entrepreneurs—to overcome the barriers to enter the mortgage business. When a Motto franchise is in close physical proximity to a real estate brokerage, homebuyers can enjoy an enhanced, coordinated, convenient

and simplified experience with a professional real estate agent to find a home and with a Motto loan originator to secure financing from among several quality financing options. Because Motto's value proposition is based in part on proximity to real estate brokerages and marketing to home-buying customers, we believe our franchisees are well-positioned to benefit from the anticipated gradual increase in purchase-money mortgage origination market. We believe this convenience should be a differentiator for real estate agents, which we believe will result in enhanced customer satisfaction and customer loyalty, which is essential for a successful real estate agent. There are not presently any other national mortgage brokerage franchisors in the United States.

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Our Motto Mortgage brokerage franchise business, Motto Franchising, LLC, offers seven-year agreements with franchisees. Motto sells franchises directly throughout the U.S. as there are no regional franchise rights in the Motto system. Motto Franchising, LLC provides an out-of-the-box franchise model—complete with training, support and technology configuration and implementation that is customized for each office—which allows franchisees to get up and running quickly. Loan originators at Motto franchises are employees of the franchisee and not independent contractors.

Financial Model

As a franchisor, we maintain a low fixed-cost structure. In addition, our stable, fee-based model derives a majority of our revenue from recurring fees paid by our RE/MAX and Motto franchisees, RE/MAX Independent Region franchise owners and RE/MAX agents. This combination helps us drive significant operating leverage through incremental revenue growth, yielding healthy margins and significant cash flow.

*See Note 3, Revenue for more information.

- (1) Adjusted EBITDA is a non-GAAP measure of financial performance that differs from U.S. Generally Accepted Accounting Principles. See “Item 7.—Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of Adjusted EBITDA and a reconciliation of the differences between Adjusted EBITDA and net income.
- (2) Excludes adjustments attributable to the non-controlling interest. See “Corporate Structure and Ownership” below.

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Revenue Streams. The chart below illustrates our revenue streams:

Revenue Streams as Percentage of 2018 Total Revenue

The amount of the various RE/MAX fee types will vary significantly depending on whether coming from Company-owned regions, Independent Regions, or global regions, with the greatest amounts in Company-owned regions. See discussion of revenue per agent below.

Continuing Franchise Fees. Continuing franchise fees are fixed contractual fees paid monthly by regional franchise owners in Independent Regions or franchisees in Company-owned Regions to RE/MAX based on their number of agents. Likewise, Motto continuing franchise fees are fixed contractual fees paid monthly by Motto franchisees.

Annual Dues. Annual dues are the membership fees that agents pay directly to us to be a part of the RE/MAX network and use the RE/MAX brand. Annual dues are currently a flat fee per agent paid annually. Motto franchisees do not pay annual dues.

Broker Fees. Broker fees are assessed against real estate commissions paid by customers when a RE/MAX agent sells a home. Generally, the amount paid is 1% of the total commission on the transaction, although the percentage can vary based on the specific terms of the broker fee agreement. The amount of commission collected by brokers is based primarily on the sales volume of RE/MAX agents, home sale prices in such sales and real estate commissions earned by agents on these transactions. Broker fees, therefore, vary based upon the overall health of the real estate industry and the volume of existing home sales. Additionally, agents in Company-owned Regions existing prior to 2004, the year we began assessing broker fees, are generally “grandfathered” and continue to be exempt from paying a broker fee. As of December 31, 2018, grandfathered agents represented approximately 20% of total agents in U.S.

Company-owned regions. We expect that over time, exempt agents will be replaced by new agents who will pay broker fees, which will have a positive impact on our broker fee revenue independent of changes in agent count, sales volume and home sale prices. Motto franchisees do not pay any fees based on the number or dollar value of loans brokered.

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Franchise Sales and Other Revenue. Franchise sales and other revenue primarily consists of:

- Franchise Sales: Revenue from sales and renewals of individual franchises in RE/MAX Company-owned Regions, Independent Regions, and Motto, as well as RE/MAX regional and country master franchises for Independent Regions in global markets outside of North America (“Global Regions”). We receive only a portion of the revenue from the sales and renewals of individual franchises from Independent and Global Regions. The franchise sale initial fees and commissions related to franchise sales are recognized over the contractual term of the franchise agreement.
- Other Revenue: Revenue from (a) preferred marketing arrangements and approved supplier programs with such revenue being either a flat fee or a percentage of revenue from products and services sold to RE/MAX agents), (b) event-based revenue from training and other programs, including our annual convention in the U.S., and (c) revenue from booj’s legacy business of supplying websites and other technology to independent real estate brokerages.

Revenue per Agent in Owned versus Independent RE/MAX Regions. We receive a higher amount of revenue per agent in our Company-owned Regions than in our Independent Regions in the U.S. and Canada, and more in Independent Regions in the U.S. and Canada than in Global Regions. While both Company-owned Regions and Independent Regions in the U.S. and Canada charge relatively similar fees to RE/MAX brokerages and agents, we receive the entire amount of the continuing franchise fee, broker fee and initial franchise and renewal fee in Company-owned Regions, whereas we receive only a portion of these fees in Independent Regions. We generally receive 15%, 20% or 30% of the amount of such fees in Independent Regions, which is a fixed rate in each particular Independent Region established by the terms of the applicable regional franchise agreement. We base our continuing franchise fees, agent dues and broker fees outside the U.S. and Canada on the same structure as our Independent Regions, except that the aggregate level of such fees is substantially lower in these markets. In 2018, the average annual revenue per agent was as follows:

- (1) 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 both Independent Regions and 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.

Value Creation and Growth Strategy

Our favorable margins generate healthy cash flow, which facilitates our value creation and growth strategy. As a leading franchisor in the residential real estate industry in the U.S. and Canada, we create shareholder value by:

- a) growing organically by building on our network of over 8,000 RE/MAX franchisees and 120,000 agents and our network of nearly 80 open Motto mortgage brokerage franchises;
- b) catalyzing growth by reacquiring regional RE/MAX franchise rights and acquiring other complementary businesses; and

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c) returning capital to shareholders.

Organic Growth. Our organic growth comes from: a) RE/MAX agent count growth; b) RE/MAX and Motto franchise sales, c) increases in opportunity to monetize the value of our RE/MAX and Motto networks; d) the extent to which we increase the fees paid by RE/MAX or Motto franchisees or RE/MAX agents; and e) growth in agent productivity or higher home prices.

Organic Growth from Agent Count and Franchise Sales. With respect to RE/MAX agent count growth, we experienced agent losses during the downturn, but we returned to a period of net global agent growth in 2012 and our year-over-year growth in agent count continued from 2013 through 2018.

RE/MAX Agent Count

Number of Agents at Quarter-End (1)

(1) Agents that converted from an Independent Region to a Company-owned Region are moved from the Independent Region agent count to the Company-owned Region agent count during the quarter of the acquisition.

As shown in the following table, during the second half of 2018 our agent count growth in U.S. decelerated as U.S. existing home sales decelerated, a correlation we have seen previously. This deceleration may pose future challenges to organic growth from agent count.

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RE/MAX Agent Count Year-Over-Year Growth Rate by Geography

We have several initiatives designed to improve the value proposition offered to both franchisees and agents, which we believe will help recruiting and retention. Two key initiatives in 2019 are:

- **Technology** – We have several technology initiatives, including developing technology for and by RE/MAX affiliates leveraging the booj platform, which we believe will make our highly productive agents even more efficient and successful and help RE/MAX franchisees recruit and retain agents. Leveraging booj’s existing technology stack, we are developing a custom-built, integrated platform with products that interact and evolve with one another. Included in this platform will be a customer-relationship management platform integrated with agent, office and team websites, lead cultivation tools, marketing resources, social integration and more. We will also leverage the capabilities of other strategic partners as we develop advanced technology solutions for the RE/MAX network. We have focused on enhancing and investing in the technology supporting our franchised business model to help RE/MAX brokerages, agents and both RE/MAX and Motto teams grow their businesses, connect with clients, and operate more efficiently and strategically. Providing the best online and offline experience for RE/MAX and Motto affiliates and consumers is one of our primary strategic technology goals and we expect to continue to invest meaningfully in technology as we seek to enhance our overall value proposition. These products are expected to be delivered throughout 2019.
- **Service Delivery** – In early 2019, RE/MAX announced a new service model designed to deliver more value to our franchisees, as well as support their growth and professional development. We recognize that the needs of a new franchisee are vastly different from the needs of a larger, more established franchisee. This new service model was designed to provide franchisees with a team that will deliver holistic support services that are more dynamic, focused, relevant and impactful, as services will be based on the stage of growth in which the office currently resides. This model will allow us to put more focus on management, training, accountability and business operations. RE/MAX intends to continue adding franchises in new and existing markets, and as a result, increase our global market share and brand awareness. Each incremental agent leverages our existing infrastructure, allowing us to drive additional revenue at little incremental cost. We are committed to reinvesting in the business to enhance our value proposition through a range of new and existing programs and tools.

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RE/MAX Office Franchise Sales

Motto sold over 100 franchises from inception to December 31, 2018, averaging approximately 50 franchise sales per year during its first two years of operation. We believe the Motto Mortgage brokerage model extends our core competencies of franchising and real estate industry knowledge to the mortgage brokerage business. We believe Motto, with its recurring fee model, complements the RE/MAX franchise model and adds a channel for long-term growth. Success of the Motto brokerage model, we believe, will build brand awareness which, in turn, will lead to increased franchise sales and therefore, increased franchise fees.

Organic Growth from Global Regions. We have a growing global presence with our agent count outside the U.S. and Canada growing almost 15% in 2018. Over the last two decades, the size of the RE/MAX network outside of the U.S. and Canada has grown to represent nearly a third of total RE/MAX agent count. However, we earn substantially more of our revenue in the U.S. than in other countries as a result of the higher average revenue per agent earned in Company-owned Regions than in Independent Regions, and in the U.S. and Canada as compared to the rest of the world:

RE/MAX Agents by Geography	RE/MAX Revenue by Geography (a)
As of Year-end 2018	Percent of 2018 Revenue

(a) Excludes revenues from Motto and booj.

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Pricing. Given the low fixed infrastructure cost of our RE/MAX franchise model, modest increases in aggregate fees per agent should positively affect our profitability. We may occasionally increase our aggregate fees per agent in our Company-owned Regions as we enhance the value we offer to our network. We are judicious with respect to the timing and amount of increases in aggregate fees per agent and our strategic focus remains on growing agent count through franchise sales, recruiting programs and retention initiatives. Following are the annualized average price increases for the previous five years, reflected in the year in which the increase was effective.

	2014	2015	2016	2017	2018
Continuing Franchise Fees					
Company-owned Regions - U.S.	2.4%	-	3.9%	-	-
Company-owned Regions - Canada	-	-	1.9%	1.9%	-
Annual Dues					
Company-owned Regions - U.S.	2.6%	-	-	2.5%	-
Company-owned Regions - Canada	2.6%	-	-	2.5%	-

Growth Catalysts through Acquisitions. We intend to continue to pursue acquisitions of the regional RE/MAX franchise rights in a number of Independent Regions in the U.S. and Canada, as well as other acquisitions in related areas that build on or support our core competencies in franchising and real estate.

Independent Region Acquisitions. The acquisition of an Independent Region franchise substantially increases our revenue per agent and provides an opportunity for us to drive enhanced profitability, as we receive a higher amount of revenue per agent in our Company-owned Regions than in our Independent Regions. While both Company-owned Regions and Independent Regions charge relatively similar fees to their brokerages and agents, we only receive a percentage of the continuing franchise fee, broker fee and initial franchise and renewal fee in Independent Regions. By acquiring regional franchise rights, we can capture 100% of these fees and substantially increase the average revenue per agent for agents in the acquired region, which, as a result of our low fixed-cost structure, further increases our overall margins. In addition, we believe we can establish operational efficiencies and improvements in financial performance of an acquired region by leveraging our existing infrastructure and experience.

Flow through Independent Regions

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The acquisition of regional franchise rights over the past several years has changed the agent count attributable to Company-owned Regions versus Independent Regions.

Recent History of Acquiring
Independent Regional Rights

2012	Texas
2013	Central Atlantic
2013	Southwest
2016	New York
2016	Alaska
2016	New Jersey
2016	Georgia
2016	Kentucky/Tennessee
2016	Southern Ohio
2017	Northern Illinois

RE/MAX Agents	RE/MAX Agents
(U.S./Canada)	(U.S./Canada)
As of Year-end 2012	As of Year-end 2018

Other Acquisitions. We may pursue other acquisitions, either of other brands, or of other businesses that we believe can help enhance the value proposition that we provide to the franchisees and their agents in our existing businesses, like our acquisition of booj in February of 2018.

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Return of Capital to Shareholders. We are committed to returning capital to shareholders as part of our value creation strategy. We have paid quarterly dividends since the completion of our first full fiscal quarter as a publicly traded company, or April of 2014. We have annually increased our quarterly dividends since then, as we have deemed appropriate. On February 20, 2019, our Board of Directors announced a quarterly dividend of \$0.21 per share.

Quarterly Dividends

Our disciplined approach to allocating capital allows us to return capital to shareholders while investing to drive future organic growth and catalyzing growth through acquisitions.

Competition

RE/MAX. The residential real estate brokerage business is fragmented and highly competitive. We compete against many different types of competitors - traditional real estate brokerages; non-traditional real estate brokerages, including some that offer deeply discounted commissions to consumers, and other newer entrants, including direct buyers. We compete in different ways for franchisees, for agents, and for consumers.

The majority of brokerages are independent, with the best-known being regional players. At the individual office level, oftentimes our most formidable competition is that of a local, independent brokerage. Brokerages affiliated with franchises tend to be larger, on average, than independents and are part of a national network. Our largest national competitors in the U.S. and Canada include the brands operated by Realogy Holdings Corp. (including Century 21, Coldwell Banker, ERA, Sotheby's and Better Homes and Gardens), Berkshire Hathaway Home Services, Keller Williams Realty, Inc. and Royal LePage. Our franchisees also compete to attract and retain agents against real estate franchisors which offer 100% commissions and low fees to agents. These competitors include HomeSmart and Realty ONE Group.

We also compete against non-traditional real estate brokerages such as Purplebricks and Redfin that offer deeply discounted commissions to consumers. Even among competitors with traditional models, there are variations such as the "hybrid" classification of Compass (a tech startup) and the virtual brokerage (no offices) platform of eXp Realty.

Our efforts to target consumers and connect them with a RE/MAX agent via our websites also face competition from major real estate portals, such as Zillow and Realtor.com.

We also compete for home sales against newer entrants, often referred to as direct buyers or iBuyers, which offer to buy homes directly from homeowners at below-market rates in exchange for speed and convenience, and then resell them shortly thereafter at market prices. Our largest national competitors in the U.S. and Canada in this category include Opendoor, Offerpad, Redfin and Zillow.

Likewise, the support services we provide to RE/MAX franchisees and agents also face competition from various providers of training, back office management, marketing, social integration and lead generation services. We believe that competition in the real estate brokerage franchise business is based principally upon the reputational strength of the

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brand, the quality of the services offered to franchisees, and the amount of franchise-related fees to be paid by franchisees.

The ability of our franchisees to compete with other real estate brokerages, both franchised and unaffiliated, is an important aspect of our growth strategy. A franchisee's ability to compete may be affected by a variety of factors, including the number and quality of the franchisee's independent agents and the presence and market span of the franchisee's offices. A franchisee's success may also be affected by general, regional and local housing conditions, as well as overall economic conditions.

Motto. Motto does not originate loans, and therefore does not compete in the mortgage origination business. The mortgage origination business in which Motto franchisees participate is highly competitive. There are several different marketing channels for mortgage origination services, with some originators, like Motto franchisees, marketing significantly to real estate agents and their customers. Other originators are independent mortgage bankers or correspondent lenders, underwriting and funding mortgage loans and then selling the loans to third parties. Retail lenders, both traditional and online-only companies, and both banks and non-bank lenders, typically market their loan products directly to consumers.

While there are no national mortgage brokerage franchisors in the United States at the present time other than Motto, the mortgage origination business is characterized by a variety of business models. While real estate brokerage owners are our core market for the purchase of Motto franchises, such owners may form independent, non-franchised mortgage brokerages. They may enter into joint ventures with lenders for mortgage originations, and they may elect not to enter the mortgage origination business themselves, but instead earn revenue from providing marketing and other services to mortgage lenders.

Intellectual Property

We regard our RE/MAX trademark, balloon logo and yard sign design trademarks as having significant value and as being an important factor in the marketing of our brand. We protect the RE/MAX and Motto brands through a combination of trademarks and copyrights. We have registered "RE/MAX" as a trademark in the U.S., Canada, and over 150 other countries and territories, and have registered various versions of the RE/MAX balloon logo and real estate yard sign design in numerous countries and territories as well. We also are the registered holder of a variety of domain names that include "remax," "motto," and similar variations.

Corporate Structure and Ownership

RE/MAX Holdings, Inc. ("RE/MAX Holdings") is a holding company incorporated in Delaware and its only business is to act as the sole manager of RMCO, LLC, ("RMCO"). In that capacity, RE/MAX Holdings operates and controls all of the business and affairs of RMCO. RMCO is a holding company that is the direct or indirect parent of all of our operating businesses, including RE/MAX, LLC and Motto Franchising, LLC. As of December 31, 2018, RE/MAX Holdings owns 58.57% of the common units in RMCO, while RIHI, Inc. ("RIHI") owns the remaining 41.43% of common units in RMCO. RIHI, Inc. is majority owned and controlled by David Liniger, our Chairman and Co-Founder, and by Gail Liniger, our Vice Chair and Co-Founder.

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The diagram below depicts our organizational structure:

The holders of RE/MAX Holdings Class A common stock collectively own 100% of the economic interests in RE/MAX Holdings, while RIHI owns 100% of the outstanding shares of RE/MAX Holdings Class B common stock.

On October 7, 2018, pursuant to the terms of the Company's Certificate of Incorporation, RIHI lost its previous effective control of a majority of the voting power of RE/MAX Holdings common stock. RIHI owns all of RE/MAX Holdings' Class B common stock which, prior to October 7, 2018, entitled RIHI to a number of votes on matters presented to RE/MAX Holdings stockholders equal to two times the number of RMCO common units that RIHI held. Effective October 7, 2018, the voting power of Class B common stock was reduced to equal the number of RMCO common units held, and therefore RIHI lost the controlling vote of RE/MAX Holdings. As a result of this change in the voting rights of the Class B common stock, RIHI no longer controls a majority of the voting power of RE/MAX Holdings' common stock, and RE/MAX Holdings no longer constitutes a "controlled company" under the corporate governance standards of the New York Stock Exchange (the "NYSE"). RIHI remains a significant stockholder of the Company, and through its ownership of the Class B common stock, holds approximately 41% of the voting power of the Company's stock.

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RE/MAX Holdings ownership of RMCO and Tax Receivable Agreements

RE/MAX Holdings has twice acquired significant portions of the ownership in RMCO; first in October 2013 at the time of IPO when RE/MAX Holdings acquired its initial 11.5 million common units of RMCO and, second, in November and December 2015 when it acquired 5.2 million additional common units. RE/MAX Holdings sold Class A common stock, which it exchanged for these common units of RMCO. RIHI then sold the Class A common stock to the market.

When RE/MAX Holdings acquired common units in RMCO, it received a step-up in tax basis on the underlying assets held by RMCO. The step-up is principally equivalent to the difference between (1) the fair value of the underlying assets on the date of acquisition of the common units and (2) their tax basis in RMCO, multiplied by the percentage of units acquired. The majority of the step-up in basis relates to intangible assets, primarily franchise agreements and goodwill, and the step-up is often substantial. These assets are amortizable under IRS rules and result in deductions on our tax return for many years and, consequently, RE/MAX Holdings receives a future tax benefit. These future benefits are reflected within deferred tax assets of approximately \$53.7 million on our consolidated balance sheets as of December 31, 2018.

If RE/MAX Holdings acquires additional common units of RMCO from RIHI, the percentage of RE/MAX Holdings' ownership of RMCO will increase, and additional deferred tax assets will be created as additional tax basis step-ups occur.

In connection with the initial sale of RMCO common units in October 2013, RE/MAX Holdings entered into Tax Receivable Agreements ("TRAs") which require that RE/MAX Holdings make annual payments to the TRA holders equivalent to 85% of any tax benefits realized on each year's tax return from the additional tax deductions arising from the step-up in tax basis. We believe 85% is common for tax receivable agreements. The TRA holders as of December 31, 2018 are RIHI and Parallaxes Rain Co-Investment, LLC ("Parallaxes"). TRA liabilities were established for the future cash obligations expected to be paid under the TRAs and are not discounted. As of December 31, 2018, this liability was \$40.8 million. Similar to the deferred tax assets, the TRA liabilities would increase if RE/MAX Holdings acquires additional common units of RMCO from RIHI.

Employees

As of December 31, 2018, we had approximately 500 employees. Our franchisees are independent businesses. Their employees and independent contractor sales agents are therefore not included in our employee count. None of our employees are represented by a union.

Seasonality

The residential housing market is seasonal, with transactional activity in the U.S. and Canada peaking in the second and third quarter of each year. Our results of operations are somewhat affected by these seasonal trends. Our Adjusted EBITDA margins are often lower in the first and fourth quarters due primarily to the impact of lower broker fees and other revenue as a result of lower overall sales volume, as well as higher selling, operating and administrative expenses in the first quarter for expenses incurred in connection with the RE/MAX annual convention.

Government Regulation

Franchise Regulation. The sale of franchises is regulated by various state laws, as well as by the Federal Trade Commission (“FTC”). The FTC requires that franchisors make extensive disclosures to prospective franchisees but does not require registration. A number of states require registration or disclosure by franchisors in connection with franchise offers and sales. Several states also have “franchise relationship laws” or “business opportunity laws” that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. The states with relationship or other statutes governing the termination of franchises include Arkansas, California, Connecticut, Delaware, Hawaii, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Virginia, Washington and Wisconsin. Some franchise relationship statutes require a mandated notice period for termination; some require a notice and cure period; and some require that the franchisor demonstrate

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good cause for termination. Although we believe that our franchise agreements comply with these statutory requirements, failure to comply with these laws could result in our company incurring civil liability. In addition, while historically our franchising operations have not been materially adversely affected by such regulation, we cannot predict the effect of any future federal or state legislation or regulation.

Real Estate and Mortgage Regulation. The Real Estate Settlement Procedures Act (“RESPA”) and state real estate brokerage laws and mortgage regulations restrict payments which real estate brokers, mortgage brokers, and other service providers in the real estate industry may receive or pay in connection with the sales of residences and referral of settlement services, such as real estate brokerage, mortgages, homeowners insurance and title insurance. Such laws affect the terms that we may offer in our franchise agreements with Motto franchisees and may to some extent restrict preferred vendor programs, both for Motto and RE/MAX. Federal, state and local laws, regulations and ordinances related to the origination of mortgages, may affect other aspects of the Motto business, including the extent to which we can obtain data on Motto franchisees’ compliance with their franchise agreements. These laws and regulations include (i) the Federal Truth in Lending Act of 1969 (“TILA”), and Regulation Z (“Reg Z”) thereunder; (ii) the Federal Equal Credit Opportunity Act (“ECOA”) and Regulation B thereunder; (iii) the Federal Fair Credit Reporting Act and Regulation V thereunder; (iv) RESPA, and Regulation X thereunder; (v) the Fair Housing Act; (vi) the Home Mortgage Disclosure Act; (vii) the Gramm-Leach-Bliley Act and its implementing regulations; (viii) the Consumer Financial Protection Act and its implementing regulations; (ix) the Fair and Accurate Credit Transactions Act-FACT ACT and its implementing regulations; and (x) the Do Not Call/Do Not Fax Act and other state and federal laws pertaining to the solicitation of consumers.

Available Information

RE/MAX Holdings, Inc. is a Delaware corporation and its principal executive offices are located at 5075 South Syracuse Street, Denver, Colorado 80237, telephone (303) 770-5531. The Company’s Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge through the “Investor Relations” portion of the Company’s website, www.remax.com, as soon as reasonably practical after they are filed with the Securities and Exchange Commission (“SEC”). The content of the Company’s website is not incorporated into this report. The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC by the Company.

ITEM 1A. RISK FACTORS

RE/MAX Holdings, Inc. and its consolidated subsidiaries (collectively, the “Company,” “we,” “our” or “us”) could be adversely impacted by various risks and uncertainties. An investment in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this Annual Report on Form 10-K, including our audited consolidated financial statements and the related notes thereto before making an investment decision. If any of these risks actually occur, our business, financial condition, operating results, cash flow and prospects may be materially and adversely affected. As a result, the trading price of our Class A common stock could decline and you could lose some or all of your investment.

We have grouped our risks according to:

- Risks Related to Our Business and Industry;
- Risks Related to Our Organizational Structure; and
- Risks Related to Ownership of Our Class A Common Stock.

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Risks Related to Our Business and Industry

Our results are tied to the residential real estate market and we may be negatively impacted by downturns in this market and general global economic conditions.

The residential real estate market tends to be cyclical and typically is affected by changes in general economic conditions which are beyond our control. These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, wage and job growth, levels of unemployment, home affordability, down payment requirements, inventory levels, consumer confidence, demographic changes, local or regional economic conditions and the general condition of the U.S., Canadian and global economies. The residential real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic and regulatory environment. Lack of available credit or lack of confidence in the financial sector could impact the residential real estate market. The residential real estate market could also be negatively impacted by acts of nature, such as fires, hurricanes, earthquakes, and such events may lead us to waive fees in certain impacted areas. Climate change may negatively affect the residential real estate market. Changes in local, state and federal laws or regulations that affect residential real estate transactions or encourage ownership, including but not limited to changes in tax law in late 2017 that limit the deductibility of certain mortgage interest expenses and increase the standard deduction (thereby potentially decreasing the tax benefits of homeownership) and potential future tax law changes, such as further limiting or eliminating the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, and deductibility of real property taxes, could impact the residential real estate market.

Any of the above factors, and other factors discussed in this Annual Report on form 10-K could cause a decline in the housing or mortgage markets and have a material adverse effect on our business by causing periods of lower growth or a decline in the number of home sales and/or home prices. This could lead to a decrease of the number of agents in our network and reduce the fees we receive from our franchisees and agents, which, in turn, could adversely affect our financial condition and results of operations.

A lack of financing for homebuyers in the U.S. residential real estate market at favorable rates and on favorable terms could have a material adverse effect on our financial performance and results of operations.

Our business is significantly impacted by the availability of financing at favorable rates or on favorable terms for homebuyers, which may be affected by government regulations and policies. Certain potential reforms such as the U.S. federal government's conservatorship of Fannie Mae and Freddie Mac or other government sponsored entities ("GSEs"), proposals to reform the U.S. housing market, attempts to increase loan modifications for homeowners with negative equity, monetary policy of the U.S. government, increases in interest rates and the Dodd-Frank Act may adversely impact the housing industry, including homebuyers' ability to finance and purchase homes.

The monetary policy of the U.S. government, and particularly the Federal Reserve Board, which regulates the supply of money and credit in the U.S., significantly affects the availability of financing at favorable rates and on favorable terms, which in turn affects the domestic real estate market. Changes in the Federal Reserve Board's policies are beyond our control, are difficult to predict, and could restrict the availability of financing on reasonable terms at favorable interest rates for homebuyers, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, a reduction in government support for home financing, including the possible winding down of GSEs could further reduce the availability of financing for homebuyers in the U.S. residential real estate market. No

consensus has emerged in Congress concerning potential reforms relating to Fannie Mae and Freddie Mac and a potential transition to alternative structures for the secondary market, so we cannot predict either the short or long term-effects of such regulation and its impact on homebuyers' ability to finance and purchase homes.

Furthermore, many lenders significantly tightened their underwriting standards since the real estate downturn, and many subprime and other alternative mortgage products are no longer common in the marketplace. While some loosening of credit standards has occurred, if these mortgage loans continue to be difficult to obtain, including in the jumbo mortgage

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markets, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes could be adversely affected, which would adversely affect our operating results.

The Dodd-Frank Act, which was passed to more closely regulate the financial services industry, created the Consumer Financial Protection Bureau (“CFPB”), an independent federal bureau, which enforces consumer protection laws, including various laws regulating mortgage finance. The Dodd-Frank Act also established new standards and practices for mortgage lending, including a requirement to determine a prospective borrower’s ability to repay a loan, removing incentives to originate higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. Rules implementing many of these changes protect creditors from certain liabilities for loans that meet the requirements for “qualified mortgages.” The rules place several restrictions on qualified mortgages, including caps on certain closing costs. These and other rules promulgated by the CFPB could have a significant impact on the availability of home mortgages and how mortgage brokers and lenders transact business. In addition, the Dodd-Frank Act contained provisions that require GSEs, including Fannie Mae and Freddie Mac, to retain an interest in the credit risk arising from the assets they securitize. This may serve to reduce GSEs’ demand for mortgage loans, which could have a material adverse effect on the mortgage industry, which may reduce the availability of mortgages to certain borrowers.

While we are continuing to evaluate all aspects of legislation, regulations and policies affecting the domestic real estate market, we cannot predict whether or not such legislation, regulation and policies may increase down payment requirements, increase mortgage costs, or result in increased costs and potential litigation for housing market participants, any of which could have a material adverse effect on our financial condition and results of operations.

We may fail to execute our strategies to grow our business, which could have a material adverse effect on our financial performance and results of operations.

We intend to pursue a number of different strategies to grow our revenue and earnings and to deploy the cash generated by our business. We constantly strive to increase the value proposition for our agents and brokers. If we do not reinvest in our business in ways that support our agents and brokers and make the RE/MAX network attractive to agents and brokers, we may become less competitive. Additionally, we are exploring opportunities to acquire other businesses, including select RE/MAX independent regional franchises, or other businesses in the U.S. and Canada that are complementary to our core business. If we fail to develop, execute, or focus on our business strategy, fail to make good business decisions, fail to enforce a disciplined management process to ensure that our investment of resources aligns with our strategic plan and our core management and franchising competencies or fail to properly focus resources or management attention on strategic areas, any of these could negatively impact the overall value of the Company. If we are unable to execute our business strategy, for these or any other reasons, our prospects, financial condition and results of operations may be harmed and our stock price may decline.

We may fail to deliver our booj-driven technology rollout as expected.

During the first quarter of 2018, we acquired booj, a real estate technology company, primarily to develop and deliver core technology solutions designed for RE/MAX affiliates. We anticipate that this new technology will improve existing RE/MAX systems and ultimately assist in attracting and retaining agents. If the technology platforms expected to be developed by booj (a) are delivered later than expected, (b) do not create a distinct competitive edge for franchisees and agents, or (c) have a poorer than expected adoption rate by our franchisees and agents, the introduction of such platforms may not be effective in attracting and retaining agents.

We may be unable to acquire regional franchise rights in independent RE/MAX regions in the U.S. and Canada or successfully integrate the independent RE/MAX regions that we have acquired.

We are pursuing a key growth strategy of reacquiring select RE/MAX independent regional franchises in the U.S. and Canada. The acquisition of a regional franchise increases our revenue and provides an opportunity for us to enhance profitability. This growth strategy depends on our ability to find regional franchisees willing to sell the franchise rights in their regions on favorable terms, as well as our ability to finance and complete these transactions. The number of

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remaining independent regions in the United States and Canada is limited and therefore we may have difficulty finding suitable regional franchise acquisition opportunities at an acceptable price. Further, in the event we acquire a regional franchise, we may not be able to achieve the expected returns on our acquisition after we integrate the acquired region into our business.

Integrating acquired regions involves complex operational and personnel-related challenges and we may encounter unforeseen difficulties and higher than expected integration costs or we may not be able to deliver expected cost and growth synergies.

Future acquisitions may present other challenges and difficulties, including:

- the possible departure of a significant number of key employees;
- regulatory constraints and costs of executing our growth strategy may vary by geography;
- the possible defection of franchisees and agents to other brands or independent real estate companies;
- the disruption of our respective ongoing business;
- limits on growth due to exclusive territories granted by former region owners;
- problems we may discover post-closing with the operations, including the internal controls and procedures of the regions we acquire;
- the failure to maintain important business relationships and contracts of the selling region;
- impairment of acquired assets;
- legal or regulatory challenges or litigation post-acquisition, which could result in significant costs;
- unanticipated expenses related to integration; and
- potential unknown liabilities associated with acquired businesses.

A prolonged diversion of management's attention and any delays or difficulties encountered in connection with the integration of any acquired region or region that we may acquire in the future could prevent us from realizing anticipated cost savings and revenue growth from our acquisitions.

We may not be able to manage growth successfully.

In order to successfully expand our business, we must effectively recruit, develop and motivate new franchisees, and we must maintain the beneficial aspects of our corporate culture. We may not be able to hire new employees with the expertise necessary to manage our growth quickly enough to meet our needs. If we fail to effectively manage our hiring needs and successfully develop our franchisees, our franchisee and employee morale, productivity and retention could suffer, and our brand and results of operations could be harmed. Effectively managing our potential growth could require significant capital expenditures and place increasing demands on our management. We may not be successful in managing or expanding our operations or in maintaining adequate financial and operating systems and controls. If we do not successfully manage these processes, our brand and results of operations could be adversely affected.

The failure to attract and retain highly qualified franchisees could compromise our ability to expand the RE/MAX network.

Our most important asset is the people in our network, and the success of our franchisees depends largely on the efforts and abilities of franchisees to attract and retain high quality agents. If our franchisees fail to attract and retain agents, they may fail to generate the revenue necessary to pay the contractual fees owed to us.

Additionally, although we believe our relationship with our franchisees and their agents is open and strong, the nature of such relationships can give rise to conflict. For example, franchisees or agents may become dissatisfied with the amount

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of contractual fees and dues owed under franchise or other applicable arrangements, particularly in the event that we increase fees and dues. They may disagree with certain network-wide policies and procedures, including policies dictating brand standards or affecting their marketing efforts. They may also be disappointed with our marketing campaigns. In early 2019 we announced a new service model designed to tailor and enhance the value delivered to our franchisees and help them further develop their businesses. If we do not implement the new service model effectively or if changes to our service model are not well received by our franchisees, that could affect retention of franchises and franchisees' ability to attract and retain agents. If we experience any conflicts with our franchisees on a large scale, our franchisees may decide not to renew their franchise agreements upon expiration or may file lawsuits against us or they may seek to disaffiliate with us, which could also result in litigation. These events may, in turn, materially and adversely affect our business and operating results.

Our financial results are affected by the ability of our franchisees to attract and retain agents.

Our financial results are heavily dependent upon the number of agents in our global network. The majority of our revenue is derived from recurring dues paid by our franchisee's agents and contractual fees paid by our franchisees or regional franchise owners based on the number of agents within the franchisee's or regional franchise owner's network. Competition for real estate agents is fierce. If our franchisees are not able to attract and retain agents (which is not within our direct control), our revenue may decline. In addition, our competitors may attempt to recruit the agents of our franchisees.

Competition in the residential real estate franchising business is intense, and we may be unable to grow our business organically, including increasing our agent count, expanding our network of franchises and their agents, and increasing franchise and agent fees, which could adversely affect our brand, our financial performance, and results of operations.

We generally face strong competition in the residential real estate services business from other franchisors and brokerages (i.e. national, regional, independent, boutique, discount and web-based brokerages), as well as web-based companies focused on real estate. There has recently been substantial investment in real estate technology, including companies aiming to use innovative technology to disrupt the real estate industry. As a real estate brokerage franchisor, one of our primary assets is our brand name. Upon the expiration of a franchise agreement, a franchisee may choose to renew their franchise with us, operate as an independent broker or to franchise with one of our competitors. Competing franchisors may offer franchisees fees that are lower than those we charge, or that are more attractive in particular markets. Further, some of our largest competitors may have greater financial resources and larger budgets than we do to invest in technology to build their brands and enhance their value proposition to agents, brokers and consumers. To remain competitive in the sale of franchises and to retain our existing franchisees at the time of the renewal of their franchise agreements, we may have to reduce the cost of renewals and/or the recurring monthly fees we charge our franchisees.

As a result of this competition, we may face many challenges in adding franchises and attracting agents in new and existing markets to expand our network, as well as other challenges such as:

- selection and availability of suitable markets;
- finding qualified franchisees in these markets who are interested in opening franchises on terms that are favorable to us;
- increasing our local brand awareness in new markets;
- attracting and training of qualified local agents; and
- general economic and business conditions.

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A significant adoption by consumers of online alternatives to full-service agents could have a material adverse effect on our business, prospects and results of operations.

A significant increase in consumer use of technology that eliminates or minimizes the role of the real estate agent could have a materially adverse effect on our business, prospects and results of operations. These options include direct-buyer companies (also called iBuyers) that purchase directly from the seller at below-market rates in exchange for speed and convenience, and then resell them shortly thereafter at market prices, and online discounters who reduce the role of the agent in order to offer sellers a low commission or a flat fee while giving rebates to buyers. How consumers want to buy or sell houses will determine if these models reduce or replace the long-standing preference for full-service agents.

Our financial results are affected directly by the operating results of franchisees and agents, over whom we do not have direct control.

Our real estate franchises generate revenue in the form of monthly ongoing fees, including monthly management fees and broker fees (which are tied to agent gross commissions) charged by our franchisees to their agents. Their agents pay us annual dues to have access to our network and utilize our services. Accordingly, our financial results depend upon the operational and financial success of our franchisees and their agents, whom we do not control, particularly in Independent Regions where we exercise less control over franchisees than in Company-owned Regions. Our franchisees operate in an intensely competitive market and we have little visibility into the results of operations of our franchises. If industry trends or economic conditions are not sustained or do not continue to improve, our franchisees' financial results may worsen and our revenue may decline. We may also have to terminate franchisees more frequently in the future due to non-reporting and non-payment. Further, if franchisees fail to renew their franchise agreements, or if we decide to restructure franchise agreements in order to induce franchisees to renew these agreements, then our revenue from ongoing monthly fees may decrease, and profitability from new franchisees may be lower than in the past due to reduced ongoing monthly fees and other non-standard incentives we may need to provide.

Our franchisees and their agents could take actions that could harm our business.

Our franchisees are independent businesses and the agents who work within these brokerages are independent contractors and, as such, are not our employees, and we do not exercise control over their day-to-day operations. Broker franchisees may not operate real estate brokerage businesses in a manner consistent with industry standards, or may not attract and retain qualified independent contractor agents. If broker franchisees and agents were to provide diminished quality of service to customers, engage in fraud, misconduct or negligence or otherwise violate the law or realtor codes of ethics, our image and reputation may suffer materially and we may become subject to liability claims based upon such actions of our franchisees and agents. Any such incidents could adversely affect our results of operations.

Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way we manage our relationship with our franchisees, our growth strategies or the ordinary course of our business or our franchisees' business. Other incidents may arise from events that are or may be beyond our control and may damage our brand, such as actions taken (or not taken) by one or more franchisees or their agents relating to health, safety, welfare or other matters; litigation and claims; failure to maintain high ethical and social standards for all of our operations and activities; failure to comply with local laws and regulations; and illegal activity targeted at us or others. Our brand value could diminish significantly if any such incidents or other matters erode consumer confidence in us, which may result in a

decrease in our total agent count and, ultimately, lower revenues, which in turn would materially and adversely affect our business and results of operations.

An organized franchisee association could pose risks to our ability to set the terms of our franchise agreements and our pricing. A group of broker/owners from around the country have founded and committed to the initial funding of a new RMX Association (RMXA), an independent association of RE/MAX franchisees, whose goal is to work in partnership with RE/MAX, LLC and each other to improve, enhance and grow the brand into the future and protect assets and grow profitability as franchisees.

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The failure of Independent Region owners to successfully develop or expand within their respective regions could adversely impact our revenue and earnings.

We have sold regional master franchises in the U.S. and Canada and have sold and continue to sell regional master franchises in our global locations outside of Canada. While we are pursuing a strategy to acquire select regional franchise rights in a number of regions in the U.S. and Canada, we still rely on independent regional master franchises in Independent Regions, and in all regions located outside the U.S. and Canada. We depend on Independent Regions, which have the exclusive right to grant franchises within a particular region, to successfully develop or expand within their respective regions and to monitor franchisees' use of our brand. The failure of any of these Independent Region owners to do these things, or the termination of an agreement with a regional master franchisee could delay the development of a particular franchised area, interrupt the operation of our brand in a particular market or markets while we seek alternative methods to develop our franchises in the area, and weaken our brand image. Such an event could result in lower revenue for us, which would adversely impact our business and results of operations.

We are subject to a variety of additional risks associated with our franchisees.

Our franchise system subjects us to a number of risks, any one of which may impact our ability to collect recurring, contractual fees and dues from our franchisees, may harm the goodwill associated with our brand, and/or may materially and adversely impact our business and results of operations.

Bankruptcy of U.S. Franchisees. A franchisee bankruptcy could have a substantial negative impact on our ability to collect fees and dues owed under such franchisee's franchise arrangements.

Franchise Nonrenewal. Each franchise agreement has an expiration date. Upon the expiration of the franchise arrangement, we or the franchisee may or may not elect to renew the franchise arrangement. If the franchisee arrangement is renewed, such renewal is generally contingent on the franchisee's execution of the then-current form of franchise arrangement (which may include terms the franchisee deems to be less favorable than the prior franchise agreement), the satisfaction of certain conditions and the payment of a renewal fee. If a franchisee is unable or unwilling to satisfy any of the foregoing conditions, the expiring franchise arrangement will terminate upon expiration of the term of the franchise arrangement.

The real estate business is highly regulated and any failure to comply with such regulations or any changes in such regulations could adversely affect our business.

The businesses of our franchisees are highly regulated and are subject to requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the jurisdictions in which they do business. These laws and regulations contain general standards for and prohibitions on the conduct of real estate brokers and agents, including those relating to licensing of brokers and agents, fiduciary and agency duties, administration of trust funds, collection of commissions, advertising and consumer disclosures. Under state law, the franchisees and our real estate brokers have certain duties to supervise and are responsible for the conduct of their brokerage business.

Our franchisees (other than in commercial brokerage transactions) must comply with RESPA. RESPA and comparable state statutes, among other things, restrict payments which real estate brokers, agents and other settlement service providers may receive for the referral of business to other settlement service providers in connection with the closing of real estate transactions. Such laws may to some extent restrict preferred vendor arrangements involving our franchisees. RESPA and similar state laws also require timely disclosure of certain relationships or financial interests that a broker has with providers of real estate settlement services.

There is a risk that we could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations will be adopted in the future that could make compliance more difficult or expensive. There is also a risk that a change in current laws could adversely affect our business or our franchisees' businesses.

Regulatory authorities also have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend our franchisees

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from carrying on some or all of our activities or otherwise penalize them if their financial condition or our practices were found not to comply with the then current regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. In addition, new regulations could increase the barriers to entry for brokers and agents which may impact our ability to sell franchisees and our franchisees' ability to recruit agents. Our or our franchisees' failure to comply with regulatory requirements or interpretations could limit our ability to renew current franchisees or sign new franchisees or otherwise have a material adverse effect on our operations.

We, or our franchisees, are also subject to various other rules and regulations such as:

- the Gramm-Leach-Bliley Act, which governs the disclosure and safeguarding of consumer financial information;
- the European Union's General Data Protection Regulation (GDPR) and various state and federal privacy laws protecting consumer data;
- the USA PATRIOT Act;
- restrictions on transactions with persons on the Specially Designated Nationals and Blocked Persons list promulgated by the Office of Foreign Assets Control of the Department of the Treasury;
- federal and state "Do Not Call," "Do Not Fax," and "Do Not E-Mail" laws;
- the Fair Housing Act;
- laws and regulations, including the Foreign Corrupt Practices Act, that impose sanctions on improper payments;
- laws and regulations in jurisdictions outside the U.S. in which we do business;
- state and federal employment laws and regulations, including any changes that would require reclassification of independent contractors to employee status, and wage and hour regulations;
- increases in state, local or federal taxes that could diminish profitability or liquidity; and
- consumer fraud statutes.

Our or our franchisees' failure to comply with any of the foregoing laws and regulations may result in fines, penalties, injunctions and/or potential criminal violations. Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business and may have a material adverse effect on our operations.

Our franchising activities are subject to a variety of state and federal laws and regulations regarding franchises, and any failure to comply with such existing or future laws and regulations could adversely affect our business.

The sale of franchises is regulated by various state laws as well as by the Federal Trade Commission ("FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration and/or disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" or "business opportunity laws" that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. We believe that our franchising procedures, as well as any applicable state-specific procedures, comply in all material respects with both the FTC guidelines and all applicable state laws regulating franchising in those states in which we offer new franchise arrangements. However, noncompliance could reduce anticipated revenue, which in turn may materially and adversely affect our business and operating results.

Most of our franchisees self-report their agent counts, agent commissions and fees due to us, and we have limited tools to validate or verify these reports. This could impact our ability to collect revenue owed to us by our Independent Regions, franchisees, and agents, and could affect our ability to forecast our performance accurately.

Under our franchise agreements, franchisees, including independent regions, self-report (a) the number of agents and (b) gross commissions and other statistics from home sale transactions. This data is used to determine our billings for

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continuing franchise fees, annual dues and broker fees. We may have limited methods of validating the data and must rely on reports submitted and our internal protocols for verifying the reasonableness of the data. If franchisees were to underreport or erroneously report such data, even if unintentionally, we may not receive all of the revenues due to us. In addition, to the extent that we were underpaid, we may not have a definitive method for determining such underpayment. If a material number of our franchisees were to underreport or erroneously report their agent counts, agent commissions or fees due to us, it could have a material adverse effect on our financial performance and results of operations. Further, agent count is a key performance indicator (KPI), and incomplete information, or information that is not reported in a timely manner could impair our ability to evaluate and forecast key business drivers and financial performance.

The failure to maintain positive relationships with legacy booj customers could have an adverse effect on our financial results.

The booj business which was acquired in February 2018, includes service to legacy customers, unrelated to RE/MAX. With the heavy focus by the booj technology development team towards RE/MAX initiatives, we could lose revenue over time that is currently earned by booj. Also, disputes with legacy booj customers could result in a diversion of management time and other resources and could result in litigation.

We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business and financial condition.

We cannot predict with certainty the costs of defense, the costs of prosecution, insurance coverage or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business and financial condition.

Such litigation and other proceedings may include, but are not limited to, securities litigation including class actions and shareholder derivative litigation, complaints from or litigation by franchisees, usually related to alleged breaches of contract or wrongful termination under the franchise arrangements, actions relating to intellectual property, commercial arrangements and franchising arrangements.

In addition, litigation against a franchisee or its affiliated sales agents by third parties, whether in the ordinary course of business or otherwise, may also include claims against us for liability by virtue of the franchise relationship. Franchisees may fail to obtain insurance naming the Company as an additional insured on such claims. We could face similar claims for direct liability related to our former operation of Company-owned brokerages, the last of which we sold in 2015 and early 2016. In addition to increasing franchisees' costs and limiting the funds available to pay us contractual fees and dues and reducing the execution of new franchise arrangements, claims against us (including vicarious liability claims) divert our management resources and could cause adverse publicity, which may materially and adversely affect us and our brand, regardless of whether such allegations are valid or whether we are liable.

Our global operations may be subject to additional risks related to litigation, including difficulties in enforcement of contractual obligations governed by foreign law due to differing interpretations of rights and obligations, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems and reduced protection of intellectual property. A substantial unsatisfied judgment against us or one of our subsidiaries could result in bankruptcy, which would materially and adversely affect our business and operating results. See "Risk Factors—We may experience legal proceedings related to the matters underlying the Special Committee investigation and such legal proceedings 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."

Our global operations, including those in Canada, are subject to risks not generally experienced by our U.S. operations.

The risks involved in our global operations and relationships could result in losses against which we are not insured and therefore affect our profitability. These risks include:

- fluctuations in foreign currency exchange rates, primarily related to changes in the Canadian dollar to U.S.

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dollar exchange rates, as well as the Euro to U.S. dollar exchange rate and foreign exchange restrictions;

- exposure to local economic conditions and local laws and regulations, including those relating to the agents of our franchisees;
- economic and/or credit conditions abroad;
- potential adverse changes in the political stability of foreign countries or in their diplomatic relations with the U.S.;
- restrictions on the withdrawal of foreign investment and earnings;
- government policies against businesses owned by foreigners;
- investment restrictions or requirements;
- diminished ability to legally enforce our contractual rights in foreign countries;
- difficulties in registering, protecting or preserving trade names and trademarks in foreign countries;
- restrictions on the ability to obtain or retain licenses required for operation;
- increased franchise regulations in foreign jurisdictions;
- withholding and other taxes on remittances and other payments by subsidiaries; and
- changes in foreign tax laws.

Our global operations outside Canada generally generate substantially lower average revenue per agent than our U.S. and Canadian operations.

Our business depends on strong brands, and any failure to maintain, protect and enhance our brand would hurt our ability to grow our business, particularly in new markets where we have limited brand recognition.

RE/MAX is a strong brand that we believe has contributed significantly to the success of our business, and the Motto brand is gaining recognition. Maintaining, protecting and enhancing the “RE/MAX” and Motto brands is critical to growing our business. If we do not successfully build and maintain strong brands, our business could be materially harmed. Maintaining and enhancing the quality of our brand may require us to make substantial investments in areas such as marketing, community relations, outreach and employee training. We actively engage in television, print and online advertisements, targeted promotional mailings and email communications, and engage on a regular basis in public relations and sponsorship activities. These investments may be substantial and may fail to encompass the optimal range of traditional, online and social advertising media to achieve maximum exposure and benefit to the brand.

Inasmuch as our business is in part dependent on strong brands, our business may be subject to risks related to events and circumstances that have a negative impact on our brands. If we are exposed to adverse publicity or events that do damage to our brands and/or image, our business may suffer material adverse effects from the deterioration in our brand and image.

We may be unable to obtain approval of independent regional owners to fund network-wide advertising and promotional initiatives.

Regional RE/MAX master franchisees, as independent business operators, may from time to time disagree with us and our strategies regarding the business and how best to promote the RE/MAX brand on a national or network-wide basis. Both Company-owned and Independent Regions in the U.S. concentrate advertising expenditures with our respective regional advertising funds. Our focus on regional and local advertising in the U.S. may fail to leverage franchisee contributions to achieve maximum group purchasing power in our media buys, having an adverse impact on our business and results of operation in future periods. To the extent that the advertising funds in Independent Regions choose not to contribute to national or pan-regional creative development and media purchases, this may reduce economies of scale in the purchase of advertising, or may result in different marketing messages being associated with the RE/MAX brand in

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different areas of the country. If Independent Regions and their advertising funds choose not to invest in common technology platforms, this likewise may reduce economies of scale and may result in fragmented web presences for the RE/MAX brand in various areas of the country and less web traffic to remax.com, resulting in fewer leads to RE/MAX agents, potentially affecting our results of operations.

Loss of market leadership could weaken our brand awareness and brand reputation among consumers, agents, and brokers.

We derive significant benefit from our market share leadership and our ability to make claims regarding the same, including through use of our slogan that “Nobody sells more real estate than RE/MAX” as measured by residential transaction sides. Loss of market leadership, and as a result an inability to tout the same, may hinder public and industry perception of RE/MAX as a leader in the real estate industry and hurt agent recruitment and franchise sales as a result.

Infringement, misappropriation or dilution of our intellectual property could harm our business.

We regard our RE/MAX trademark, balloon logo and yard sign design trademarks as having significant value and as being an important factor in the marketing of our brand. We believe that this and other intellectual property are valuable assets that are critical to our success. Not all of the trademarks or service marks that we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of those countries. There can be no assurance that we will be able to adequately maintain, enforce and protect our trademarks or other intellectual property rights.

We are commonly involved in numerous proceedings, generally on a small scale, to enforce our intellectual property and protect our brands. Unauthorized uses or other infringement of our trademarks or service marks, including uses that are currently unknown to us, could diminish the value of our brand and may adversely affect our business. Effective intellectual property protection may not be available in every market. Failure to adequately protect our intellectual property rights could damage our brand and impair our ability to compete effectively. Even where we have effectively secured statutory protection for our trademarks and other intellectual property, our competitors may misappropriate our intellectual property, and in the course of litigation, such competitors occasionally attempt to challenge the breadth of our ability to prevent others from using similar marks or designs. If such challenges were to be successful, less ability to prevent others from using similar marks or designs may ultimately result in a reduced distinctiveness of our brand in the minds of consumers. Defending or enforcing our trademark rights, branding practices and other intellectual property could result in the expenditure of significant resources and divert the attention of management, which in turn may materially and adversely affect our business and operating results. Even though competitors occasionally attempt to challenge our ability to prevent infringers from using our marks, we are not aware of any challenges to our right to use, and to authorize our franchisees to use, any of our brand names or trademarks.

In addition, franchisee noncompliance with the terms and conditions of our franchise agreements and our brand standards may reduce the overall goodwill of our brand, whether through diminished consumer perception of our brand, dilution of our intellectual property, the failure to meet the FTC guidelines or applicable state laws, or through the participation in improper or objectionable business practices. Moreover, unauthorized third parties may use our intellectual property to trade on the goodwill of our brand, resulting in consumer confusion or dilution. Any reduction of our brand’s goodwill, consumer confusion, or dilution is likely to impact sales, and could materially and adversely impact our business and operating results.

Our business is heavily reliant on technology and product development for certain key aspects of our operations.

The systems may not perform as desired or we may experience cost overages, delays, or other factors that may distract our management from our business, which could have an adverse impact on our results of operations. Further, we may not be able to obtain future new technologies and systems, or to replace or introduce new technologies and systems as quickly as our competitors or in a cost-effective manner. Also, we may not achieve the benefits anticipated or required from any new technology or system, including those related to our recent acquisition of booj, and we may not be able to devote financial resources to new technologies and systems in the future.

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We rely on traffic to our websites, including our flagship website, remax.com, directed from search engines like Google and Bing. If our websites fail to rank prominently in unpaid search results, traffic to our websites could decline and our business could be adversely affected.

Our success depends in part on our ability to attract home buyers and sellers to our websites, including our flagship websites, remax.com and mottomortgage.com through unpaid Internet search results on search engines like Google and Bing. The number of users we attract from search engines is due in large part to how and where our websites rank in unpaid search results. These rankings can be affected by a number of factors, such as changes in ranking algorithms, many of which are not under our direct control, and they may change frequently. In addition, our website faces increasing competition for audience from real estate portal websites, such as Zillow, Trulia and Realtor.com. As a result, links to our websites may not be prominent enough to drive traffic to our websites, and we may not be in a position to influence the results. In some instances, search engine companies may change these rankings in order to promote their own competing services or the services of one or more of our competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. Any reduction in the number of users directed to our websites could adversely impact our business and results of operations.

Cyberattacks, security breaches and improper access to, disclosure or deletion of our data, personally identifiable information we collect, or business records could harm our business, damage our reputation and cause losses.

Our information technologies and systems and those of our third-party hosted services are vulnerable to breach, damage or interruption from various causes, including: (i) natural disasters, war and acts of terrorism, (ii) power losses, computer systems failure, Internet and telecommunications or data network failures, operator error, losses and corruption of data, and similar events, and (iii) employee error, malfeasance or otherwise. Of particular risk and focus in recent years is the potential penetration of internal or outsourced systems by individuals seeking to disrupt operations or misappropriate information (aka, cyberattacks). Cyberattacks, including the use of phishing and malware, continue to grow in sophistication making it impossible for us to mitigate all of these risks. Any extended interruption of our systems or exposure of sensitive data to third parties could cause significant damage to our business or our brand, for which our business interruption insurance may be insufficient to compensate us for losses that may occur.

In addition, we rely on the collection and use of personally identifiable information from franchisees, agents and consumers to conduct our business and in certain instances such data may include social security numbers, payment card numbers, or customer financial information. Global privacy legislation (including the recently enacted GDPR regulations in the European Union), enforcement and policy activity are rapidly expanding and creating a complex compliance environment. Should we misuse or improperly store the personally identifiable information that we collect, or should we be the victim of a cyberattack that results in improper access to such personally identifiable information, we may be subject to legal claims and regulatory scrutiny. Any legal claims, government action or damage to our reputation due to actions, or the perception that we are taking actions, inconsistent with the terms of our privacy statement, consumer expectations, or privacy-related or data protection laws and regulations, could expose us to liability and adversely impact our business and results of operations.

Any disruption to our websites or lead generation tools could harm our business.

We are vulnerable to certain additional risks and uncertainties associated with websites, which include our lead referral system LeadStreet®, remax.com, global.remax.com, theremaxcollection.com, remaxcommercial.com and mottomortgage.com. These risks include changes in required technology interfaces, website downtime and other technical failures, security breaches and consumer privacy concerns. We may experience service disruptions, outages and other performance problems due to a variety of factors, including reliance on our third-party hosted services, infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, and denial of service, fraud or attacks. Our failure to address these risks and uncertainties successfully could reduce our Internet presence, generate fewer leads for our agents and damage our brand. Many of the risks relating to our website operations are beyond our control.

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We only have one primary facility, which serves as our corporate headquarters. If we encounter difficulties associated with this facility, we could face management issues that could have a material adverse effect on our business operations.

We only have one primary facility, in Denver, Colorado, which serves as our corporate headquarters where most of our employees are located. A significant portion of our computer equipment and senior management, including critical resources dedicated to financial and administrative functions, is also located at our corporate headquarters. Our management and employees would need to find an alternative location if we were to encounter difficulties at our corporate headquarters, including by fire or other natural disaster, which would cause disruption and expense to our business and operations.

We recognize the need for, and continue to develop business continuity and disaster recovery plans that would allow us to be operational despite casualties or unforeseen events impacting our corporate headquarters. If we encounter difficulties or disasters at our corporate headquarters and our business continuity and recovery plans are not adequate, our operations and retained information may not be available in a timely manner, or at all, and this would have a material adverse effect on our business.

We rely on third parties for certain important functions and technology. Any failures by those vendors could disrupt our business operations.

We have outsourced certain key functions to external parties, including some that are critical to financial reporting, our franchise and membership tracking/billing, the Motto loan origination system, and a number of critical consumer- and franchise/agent-facing websites. We may enter into other key outsourcing relationships in the future. If one or more of these external parties were not able to perform their functions for a period of time, perform them at an acceptable service level, or handle increased volumes, our business operations could be constrained, disrupted, or otherwise negatively affected. Our ability to monitor the activities or performance of vendors may be constrained, which makes it difficult for us to assess and manage the risks associated with these relationships.

We are relatively new to the mortgage brokerage industry, which, along with the intense competition within the industry, may hinder our efforts to establish and grow our new mortgage brokerage franchising business, Motto Mortgage, which could have implications to the goodwill on our Consolidated Balance Sheet.

We are pursuing a growth strategy to offer and sell residential mortgage brokerage franchises in the U.S under the “Motto Mortgage” brand and trademarks. Our investments in the new Motto business included the cost of our acquisition of certain assets of Full House Mortgage Connection, Inc. (“Full House”) and initial funding for the business. We lack extensive operating experience in the mortgage brokerage industry. Our strategy hinges on our ability to recruit franchisees and help them recruit loan originators, to develop and maintain strong competencies within the mortgage brokerage market, on favorable conditions in the related regulatory environment and on our success in developing a strong, respected brand. We may fail to understand, interpret, implement and/or train franchisees adequately concerning compliance requirements related to the mortgage brokerage industry or the relationship between us and our franchisees, any of which failures could subject us or our franchisees to adverse

actions from regulators. Motto Franchising, LLC, may also have regulatory obligations arising from its relationship with Motto franchisees; we may fail to comply with those obligations, and that failure could also subject us to adverse actions from regulators. As a start-up, the Motto Mortgage brand's initial lack of brand recognition may hamper franchise sales efforts. We may experience impairment of acquired assets and/or potential unknown liabilities associated with the acquisition of the business of Full House. This venture could divert resources, including the time and attention of management and other key employees, from our RE/MAX business, and a prolonged diversion could negatively impact operating results. In addition, residential mortgage brokerage is a highly competitive industry and Motto will suffer if we are unable to attract franchisees, which will adversely affect Motto's growth, operations and profitability. Motto has \$11.8 million of goodwill recognized in connection with its acquisition. Poor performance for any of the reasons outlined above could trigger an impairment of this goodwill.

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The terms of RE/MAX, LLC's senior secured credit facility restrict the current and future operations of RMCO, RE/MAX, LLC and their subsidiaries.

RE/MAX, LLC's senior secured credit facility includes a number of customary restrictive covenants. These covenants could impair the financing and operational flexibility of RMCO, RE/MAX, LLC and their subsidiaries and make it difficult for them to react to market conditions and satisfy their ongoing capital needs and unanticipated cash requirements. Specifically, such covenants may restrict their ability to, among other things:

- incur additional debt;
- make certain investments, acquisitions and joint ventures;
- enter into certain types of transactions with affiliates;
- pay dividends or make distributions or other payments to us;
- use assets as security in certain transactions;
- repurchase their equity interests;
- sell certain assets or merge with or into other companies;
- guarantee the debts of others;
- enter into new lines of business; and
- make certain payments on subordinated debt.

In addition, so long as any revolving loans are outstanding under the senior secured credit facility, RE/MAX, LLC is required to maintain specified financial ratios. As of December 31, 2018, there were no outstanding revolving loans.

The ability to comply with the covenants and other terms of the senior secured credit facility will depend on the future operating performance of RE/MAX, LLC and its subsidiaries. If RE/MAX, LLC fails to comply with such covenants and terms, it would be required to obtain waivers from the lenders or agree with the lenders to an amendment of the facility's terms to maintain compliance under the facility. If RE/MAX, LLC is unable to obtain any necessary waivers or amendments and the debt under our senior secured credit facility is accelerated or the lenders obtain other remedies, it would likely have a material adverse effect on our financial condition and future operating performance.

We have significant debt service obligations and may incur additional indebtedness in the future.

We have significant debt service obligations, including principal, interest and commitment fee payments due quarterly pursuant to RE/MAX, LLC's senior secured credit facility. Our currently existing indebtedness, or any additional indebtedness we may incur, could require us to divert funds identified for other purposes for debt service and impair our liquidity position. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue additional equity to obtain necessary funds. We do not know whether we would be able to take such actions on a timely basis, on terms satisfactory to us, or at all. Future indebtedness may impose additional restrictions on us, which could limit our ability to respond to market conditions, to make capital investments or to take advantage of business opportunities. Our level of indebtedness has important consequences to you and your investment in our Class A common stock.

For example, our level of indebtedness may:

- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which would reduce the funds available to us for working capital, capital expenditures and other general corporate purposes;
- limit our ability to pay future dividends;

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- limit our ability to obtain additional financing for working capital, capital expenditures, expansion plans and other investments, which may limit our ability to implement our business strategy;
- heighten our vulnerability to downturns in our business, the housing industry or in the general economy and limit our flexibility in planning for, or reacting to, changes in our business and the housing industry; or
- prevent us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our franchise base and product offerings.

We cannot assure you that our business will generate sufficient cash flow from operations or that future financing will be available to us in amounts sufficient to enable us to make payments on our indebtedness or to fund our operations.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. Our ability to make payments to fund working capital, capital expenditures, debt service, and strategic acquisitions will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

We have a material amount of term loans outstanding under our senior secured credit facility, net of an unamortized discount and issuance costs, which was at variable rates of interest, thereby exposing us to interest rate risk. We currently do not engage in any interest rate hedging activity. As such, if interest rates increase, our debt service obligations on our outstanding indebtedness would increase even if the amount borrowed remained the same, and our net income would decrease.

Our operating results are subject to quarterly fluctuations, and results for any quarter may not necessarily be indicative of the results that may be achieved for the full fiscal year.

Historically, we have realized, and expect to continue to realize, lower Adjusted EBITDA margins in the first and fourth quarters due primarily to the impact of lower broker fees and other revenue primarily as a result of lower overall home sale transactions, and higher selling, operating and administrative expenses in the first quarter for expenses incurred in connection with our annual convention. Accordingly, our results of operations may fluctuate on a quarterly basis, which would cause period to period comparisons of our operating results to not be necessarily meaningful and cannot be relied upon as indicators of future annual performance.

We may experience legal proceedings related to the matters underlying the Special Committee investigation and such legal proceedings 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.

We may experience legal proceedings including investigations, securities class action claims and/or derivative litigation related to matters reviewed by a special committee of our Board of Directors (the "Special Committee") in 2017 and early 2018. The Company has advised the staff of the SEC regarding the internal investigation conducted by the Special Committee. The SEC performed its own inquiry into certain matters related to the Special Committee investigation. The Company cooperated fully with the SEC with respect to its review of these matters and intends to continue to do so in the event of any further inquiries.

Any legal proceedings related to the Special Committee investigation including any shareholder derivative litigation or governmental inquiries or investigations may divert management's time and attention and may result in the

incurrence of significant expense, including legal fees. Such legal proceedings could also have a material adverse effect on our business, financial condition, results of operations and cash flows including as a result of such expenses or arising from any consequences of such legal proceedings including damages, monetary fines, sanctions, penalties, adverse publicity and damage to reputation.

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Our business is dependent on key personnel including key members of our senior management team and loss of key individuals, or the inability to retain additional qualified personnel could adversely affect our operations, our brand and our financial performance.

Our future success will likely continue to depend heavily on the efforts and abilities of key personnel including our CEO, Adam Contos, and other members of our senior management. The loss of services from any of these key personnel could make it more difficult to successfully operate our business and achieve our business goals. In addition, we do not maintain key employee life insurance policies on Mr. Contos or our other key employees. As a result, we may not be able to cover the financial loss we may incur in losing the services of any of these individuals.

In the event of the loss of the services of any of such key personnel, we may be unable to implement or execute upon our corporate succession plan due to factors including the timing of the loss relative to the development of key successor employees or the loss of those successors themselves.

Our ability to retain such key personnel and other key individuals is generally subject to numerous factors, including the compensation and benefits we pay, our ability to provide pathways for professional development and overall morale. As such, we could suffer significant attrition among these key individuals unexpectedly. Competition for qualified personnel in the real estate franchising industry is intense, and we cannot assure you that we will be successful in attracting and retaining qualified employees.

Risks Related to Our Organizational Structure

RIHI has substantial influence over us including over decisions that require the approval of stockholders, and its interest in our business may conflict with yours.

RIHI, a company controlled by David Liniger, our current Chairman and Co-Founder, and Gail Liniger, our Vice Chair and Co-Founder, respectively, owns all of our outstanding Class B common stock. Although RIHI no longer controls a majority of the voting power of RE/MAX Holdings' common stock, RIHI remains a significant stockholder of the Company and through its ownership of the Class B common stock holds approximately 41% of the voting power of the Company's stock. Therefore, RIHI has the ability to significantly influence all matters submitted to a vote of our stockholders.

In addition, RIHI's entire economic interest in us is in the form of its direct interest in RMCO through the ownership of RMCO common units, the payments it may receive from us under its tax receivable agreement and the proceeds it may receive upon any redemption of its RMCO common units, including issuance of shares of our Class A common stock, upon any such redemption and any subsequent sale of such Class A common stock. As a result, RIHI's interests may conflict with the interests of our Class A common stockholders. For example, RIHI may have a different tax position from us which could influence its decisions regarding certain transactions, especially in light of the existence of the tax receivable agreements that we entered into in connection with our IPO, including whether and when we should terminate the tax receivable agreements and accelerate our obligations thereunder. In addition, RIHI could have an interest in the structuring of future transactions to take into consideration its tax or other considerations, even in situations where no similar considerations are relevant to us.

Our tax receivable agreements require us to make cash payments based upon future tax benefits to which we may become entitled. The amounts that we may be required to pay could be significant, may be accelerated in certain circumstances and could significantly exceed the actual tax benefits that we ultimately realize.

In connection with our IPO, we entered into tax receivable agreements with our historical owners. After one of these historical owners assigned its interest in its tax receivable agreement, these tax receivable agreements are now held by RIHI and Parallaxes Rain Co-Investment, LLC (“Parallaxes” and together, the “TRA Parties”). The amount of the cash payments that we may be required to make under the tax receivable agreements could be significant and will depend, in part, upon facts and circumstances that are beyond our control.

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The amount of our obligations pursuant to the tax receivable agreement with RIHI will depend, in part, upon the occurrence of future events, including any redemptions by RIHI of its ownership interest in RMCO. In general, future redemptions by RIHI will increase our tax receivable agreement obligations to RIHI. Payments under the tax receivable agreements are anticipated to be made, on an annual basis. Any payments made by us to the TRA Parties under the tax receivable agreements will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent we are unable to make timely payments under the tax receivable agreements for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us. Furthermore, our future obligation to make payments under the tax receivable agreements could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that may be deemed realized under the tax receivable agreements. The payments under the tax receivable agreement with RIHI are not conditioned upon RIHI maintaining a continued ownership interest in either RMCO or us, and payments under the tax receivable agreement with Parallaxes are not conditioned upon Parallaxes holding any ownership interest in either RMCO or us.

The tax receivable agreements provide that if certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, or that if, at any time, we elect an early termination of the tax receivable agreements, then our obligations, or our successor's obligations, to make payments under the tax receivable agreements would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the tax receivable agreements.

As a result, (i) we could be required to make cash payments to the TRA Parties that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the tax receivable agreements, and (ii) if we elect to terminate the tax receivable agreements early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the tax receivable agreements, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combination, or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements.

We will also not be reimbursed for any cash payments previously made to the TRA Parties (or their predecessors) pursuant to the tax receivable agreements if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to either of the TRA Parties will be netted against any future cash payments that we might otherwise be required to make under the terms of the tax receivable agreements. However, we might not determine that we have effectively made an excess cash payment to either of the TRA Parties for a number of years following the initial time of such payment. As a result, it is possible that we could make cash payments under the tax receivable agreements that are substantially greater than our actual cash tax savings.

Risks Related to Ownership of Our Class A Common Stock

RIHI directly (through ownership of our Class B common stock) and indirectly (through ownership of RMCO common units) owns interests in us, and RIHI has the right to redeem and cause us to redeem, as applicable, such interests pursuant to the terms of the RMCO, LLC agreement. We may elect to issue shares of Class A common stock upon such redemption, and the issuance and sale of such shares may have a negative impact on the market price of our Class A common stock.

In connection with our IPO, RMCO entered into the RMCO, LLC agreement, and subject to certain restrictions set forth therein, RIHI is entitled to potentially redeem the RMCO common units it holds for an aggregate of up to 12,559,600 shares of our Class A common stock, subject to customary adjustments. We also have entered into a registration rights agreement pursuant to which the shares of Class A common stock issued upon such redemption are eligible for resale, subject to certain limitations set forth therein.

We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock may have on the market price of our Class A common stock. Sales or

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distributions of substantial amounts of our Class A common stock, including shares issued in connection with an acquisition, or the perception that such sales or distributions could occur, may cause the market price of our Class A common stock to decline.

You may be diluted by future issuances of additional Class A common stock in connection with our incentive plans, acquisitions or otherwise; future sales of such shares in the public market, or the expectations that such sales may occur, could lower our stock price.

Our certificate of incorporation authorizes us to issue shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion. This could include issuances as compensation pursuant to our 2013 Omnibus Incentive Plan, in connection with acquisitions (either by issuing shares to raise funds for such an acquisition, or by issuing shares to the seller of the acquired business) or to raise capital for other purposes. Any Class A common stock that we issue, including under our 2013 Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who own Class A common stock.

Our Class A common stock price may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the price you paid for them.

Many factors, which are outside our control, may cause the market price of our Class A common stock to fluctuate significantly, including those described elsewhere in this “Risk Factors” section, as well as the following:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- future announcements concerning our business or our competitors’ businesses;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- the size of our public float;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in accounting standards, policies, guidance, interpretations or principles;
- material weakness in our internal control over financial reporting.

Volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the price they paid for the stock. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. As a result, you may suffer a loss on your investment.

We cannot assure you that we will have the available cash to make dividend payments.

We intend to continue to pay cash dividends quarterly. Whether we will do so, however, and the timing and amount of those dividends, will be subject to approval and declaration by our Board of Directors and will depend upon on a variety of factors, including our financial results, cash requirements and financial condition, our ability to pay dividends under our senior secured credit facility and any other applicable contracts, and other factors deemed relevant by our Board of Directors. Any dividends declared and paid will not be cumulative.

Because we are a holding company with no material assets other than our ownership of common units of RMCO, we have no independent means of generating revenue or cash flow, and our ability to pay dividends is dependent upon the financial results and cash flows of RMCO and its subsidiaries and distributions we receive from RMCO. We expect to

cause RMCO to make distributions to fund our expected dividend payments, subject to applicable law and any restrictions contained in RMCO's or its subsidiaries' current or future debt agreements.

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Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board of Directors. These provisions:

- establish a classified Board of Directors so that not all members of our Board of Directors are elected at one time;
- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock;
- provide that our Board of Directors is expressly authorized to make, alter or repeal our bylaws;
- delegate the sole power to a majority of our Board of Directors to fix the number of directors;
- provide the power of our Board of Directors to fill any vacancy on our Board of Directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- eliminate the ability of stockholders to call special meetings of stockholders; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Our certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law, and prevents us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock unless board or stockholder approval is obtained prior to the acquisition, except that David and Gail Liniger are deemed to have been approved by our Board of Directors, and thereby not subject to these restrictions. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in leased offices in Denver, Colorado. The lease consists of approximately 231,000 square feet and expires in April 2028. We also lease an office building in Denver, Colorado for our booj operations. The lease consists of approximately 20,000 square feet and expires in February 2034.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in litigation, claims and other proceedings relating to the conduct of our business. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, brokerage disputes, vicarious liability based upon conduct of individuals or entities outside of our control including franchisees and independent agents, and employment law claims. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant time and resources from management. Although we do not believe any currently pending litigation will have a material adverse effect on our business, financial condition or operations, there are inherent uncertainties in litigation and other claims and regulatory proceedings and such pending matters could result in unexpected expenses and liabilities and might materially adversely affect our business, financial condition or operations, including our reputation.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock trades on the New York Stock Exchange ("NYSE") under the symbol "RMAX". As of February 19, 2019, we had 28 stockholders of record of our Class A common stock. This number does not include stockholders whose stock is held in nominee or street name by brokers. All shares of Class B common stock are owned by RIHI, Inc. ("RIHI"), and there is no public market for these shares.

The following table shows the highest and lowest close prices for our Class A common stock as well as dividends declared per share during the calendar quarter indicated below for the years ended December 31, 2018 and 2017.

	Class A Common Stock Market Price		Dividends Declared per Share
	Highest	Lowest	
2018			
First quarter	\$ 60.90	\$ 45.40	\$ 0.20
Second quarter	\$ 60.45	\$ 52.10	\$ 0.20
Third quarter	\$ 56.25	\$ 42.85	\$ 0.20
Fourth quarter	\$ 43.85	\$ 28.23	\$ 0.20
2017			
First quarter	\$ 60.90	\$ 53.10	\$ 0.18
Second quarter	\$ 60.25	\$ 53.15	\$ 0.18
Third quarter	\$ 64.60	\$ 56.50	\$ 0.18
Fourth quarter	\$ 67.20	\$ 46.30	\$ 0.18

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During 2018, our Board of Directors declared quarterly cash dividends of \$0.20 per share of Class A common stock. See Note 5, Earnings Per Share and Dividends to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information. We intend to continue to pay a cash dividend on shares of Class A common stock on a quarterly basis. However the timing and amount of those dividends will be subject to approval and declaration by our Board of Directors and will depend on a variety of factors, including the financial results and cash flows of RMCO, LLC and its consolidated subsidiaries ("RMCO"), distributions we receive from RMCO, cash requirements and financial condition, our ability to pay dividends under our senior secured credit facility and any other applicable contracts, and other factors deemed relevant by our Board of Directors. All dividends declared and paid will not be cumulative.

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Performance Graph

The following graph and table depict the total return to stockholders from December 31, 2013 through December 31, 2018, relative to the performance of the S&P 500 Index, Russell 2000 (Total Return) Index and a peer group of real estate and franchise related companies. The graph and table assume that \$100 was invested at the closing price on December 31, 2013 and that all dividends were reinvested.

The performance graph and table are not intended to be indicative of future performance. The performance graph and table shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Exchange Act.

Other franchise and real estate related companies include the following: Realogy Holding Corp., Dunkin’ Brands Group Inc., Domino’s Pizza Inc., Yum! Brands Inc., Choice Hotels International Inc., Marriott International Inc., CBRE Group Inc. and Jones Lang LaSalle Inc. For purposes of the chart and table, the companies in this peer group are weighted according to their market capitalization.

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ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical consolidated financial results and other data as of the dates and for the periods indicated. The selected consolidated statements of income data for the years ended December 31, 2018, 2017 and 2016, and the consolidated balance sheets data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements (“financial statements”) included elsewhere in this Annual Report on Form 10-K.

The selected consolidated statements of income data for the years ended December 31, 2015 and 2014 and the selected consolidated balance sheets data as of December 31, 2016, 2015 and 2014 have been derived from our audited financial statements not included in this Annual Report on Form 10-K.

As of December 31, 2014, RE/MAX Holdings, Inc. (“RE/MAX Holdings”) owned 39.89% of the common membership units in RMCO, LLC and its consolidated subsidiaries (“RMCO”), and as of December 31, 2018, RE/MAX Holdings owns 58.57% of the common membership units in RMCO. RE/MAX Holdings’ economic interest in RMCO increased primarily due to the issuance of shares of Class A common stock as a result of RIHI’s redemption of 5.2 million common units in RMCO during the fourth quarter of 2015. RE/MAX Holdings’ only business is to act as the sole manager of RMCO and in that capacity, RE/MAX Holdings operates and controls all of the business and affairs of RMCO.

Our selected historical financial data may not be indicative of our future financial condition, future results of operations or future cash flows.

You should read the information set forth below in conjunction with our historical financial statements and the notes to those statements and “Item 7.—Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

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	Year Ended December 31,				
	2018	2017 As adjusted*	2016 As adjusted*	2015*	2014*
	(in thousands, except per share amounts and agent data)				
Total revenue:					
Continuing franchise fees	\$ 101,104	\$ 93,694	\$ 81,197	\$ 73,750	\$ 72,706
Annual dues	35,894	33,767	32,653	31,758	30,726
Broker fees	46,871	43,801	37,209	32,334	28,685
Franchise sales and other revenue	28,757	22,452	24,471	25,468	23,440
Brokerage revenue	—	—	112	13,558	15,427
Total revenue	212,626	193,714	175,642	176,868	170,984
Operating expenses:					
Selling, operating and administrative expenses	120,179	106,946	88,037	91,561	92,400
Depreciation and amortization	20,678	20,512	16,094	15,124	15,316
Loss (gain) on sale or disposition of assets, net	63	660	178	(3,397)	(14)
Gain on reduction in tax receivable agreement liability	(6,145)	(32,736)	—	—	—
Total operating expenses	134,775	95,382	104,309	103,288	107,702
Operating income	77,851	98,332	71,333	73,580	63,282
Other expenses, net:					
Interest expense	(12,051)	(9,996)	(8,596)	(10,413)	(9,295)
Interest income	676	352	160	178	313
Foreign currency transaction (losses) gains	(312)	174	(86)	(1,661)	(1,348)
Loss on early extinguishment of debt	—	—	(796)	(94)	(178)
Equity in earnings of investees	—	—	—	1,215	600
Total other expenses, net	(11,687)	(9,470)	(9,318)	(10,775)	(9,908)
Income before provision for income taxes	66,164	88,862	62,015	62,805	53,374
Provision for income taxes	(15,799)	(57,047)	(15,167)	(12,030)	(9,948)
Net income	50,365	31,815	46,848	50,775	43,426
Less: net income attributable to non-controlling interests	23,321	21,577	24,627	34,363	30,209
Net income attributable to RE/MAX Holdings, Inc.	\$ 27,044	\$ 10,238	\$ 22,221	\$ 16,412	\$ 13,217
Earnings Per Share Data:					
Basic	\$ 1.52	\$ 0.58	\$ 1.26	\$ 1.30	\$ 1.14
Diluted	\$ 1.52	\$ 0.58	\$ 1.26	\$ 1.28	\$ 1.08
Other Data:					
Agent count at period end (unaudited)	124,280	119,041	111,915	104,826	98,010
	\$ 0.80	\$ 0.72	\$ 0.60	\$ 2.00	\$ 0.25

Cash dividends declared per share of
Class A common stock

*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. Financial results for 2015 and 2014 have not been recast and are therefore not comparable. See Note 3, Revenue for more information.

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	As of December 31,		2016 As adjusted*	2015*	2014*
	2018 (in thousands)	2017 As adjusted*			
Cash	\$ 59,974	\$ 50,807	\$ 57,609	\$ 110,212	\$ 107,199
Franchise agreements, net	103,157	119,349	109,140	61,939	75,505
Goodwill	150,684	135,213	126,633	71,871	72,463
Total assets	426,840	412,835	444,683	383,786	356,431
Payable pursuant to tax receivable agreements, including current portion	40,787	53,175	98,809	100,035	67,418
Debt, including current portion	227,787	228,986	230,820	200,357	209,777
Total stockholders' equity	79,275	49,126	43,841	39,414	39,283

*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. Financial results for 2015 and 2014 have not been recast and therefore are not comparable. See Note 3, Revenue for more information.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements (“financial statements”) and accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See “Special Note Regarding Forward-Looking Statements” and “Item 1A.—Risk Factors” for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements.

The historical results of operations discussed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations are those of RE/MAX Holdings, Inc. (“RE/MAX Holdings”) and its consolidated subsidiaries (collectively, the “Company,” “we,” “our” or “us”).

Business Overview

We are one of the world’s leading franchisors in the real estate industry, franchising real estate brokerages globally under the RE/MAX brand (“RE/MAX”) and mortgage brokerages within the U.S. under the Motto Mortgage brand (“Motto”). RE/MAX and Motto are 100% franchised - we do not own any of the brokerages that operate under these brands. Although we partner with our franchisees to assist them in growing their brokerages, they fund the cost of developing their businesses. As a result, we maintain a low fixed-cost structure, which combined with our recurring, fee-based models, enables us to capitalize on the economic benefits of the franchising model, yielding high margins and significant cash flow.

Because we are a franchisor of both real estate brokerages and mortgage brokerages with approximately 95% of our revenue and nearly three-quarters of our RE/MAX agent count coming from our franchising operations in the U.S. and Canada, we are significantly affected by the real estate market in the U.S. and Canada.

The U.S. housing market experienced a slowdown in home sales during the latter part of 2018, particularly in the West. Persistent price appreciation, low housing inventory, rising interest rates and weak wage growth were among the more meaningful contributors to the slowdown in home sales as homebuyers and sellers adapted to a shifting market. The housing market, which has generally favored sellers over the past several years, began to shift toward greater equilibrium and we believe this shift will be healthy for housing over the longer term. Additionally, our U.S. and Canadian agent count growth rates modestly decelerated during the fourth quarter. We expect the current home sales and agent count growth rate trends to continue through at least the beginning of 2019.

Financial and Operational Highlights – Year Ended December 31, 2018

(Compared to year ended December 31, 2017, as adjusted* unless otherwise noted)

*See Note 3, Revenue for more information.

- Total agent count increased by 4.4% to 124,280 agents.
- U.S. and Canada combined agent count increased 0.2% to 84,449 agents.
- Total open Motto Mortgage franchises more than doubled to 78 offices.

- Revenue increased 9.8% to \$212.6 million.
- Net income attributable to RE/MAX Holdings, Inc. of \$27.0 million.
- Adjusted EBITDA of \$104.3 million and Adjusted EBITDA margin of 49.1%.

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During 2018, we grew organic revenue 4.5% primarily due to agent count increases, Motto expansion, rising average home prices, event-based revenue from our annual convention in the U.S. and a July 1, 2017 annual dues fee increase in the U.S. and Canada. Our 2018 revenue growth was also impacted by having waived approximately \$2.0 million of continuing franchise fees and brokers fees in the prior year for hurricane-impacted associates. We grew our network agent count 4.4% and our U.S. and Canadian combined agent count by 0.2%, and we sold 1,120 RE/MAX franchises worldwide, including 285 franchises in the U.S. and Canada combined.

Expenses increased primarily due to increased investments in technology, costs to support booj's legacy operations assisting its external customers, severance and other payroll related expenses, and operating costs to support Motto's growth. These increases were partially offset by a \$3.7 million loss recognized in the prior year related to subleasing a portion of our corporate office building and costs of a litigation settlement. Interest expense also increased \$2.1 million due to rising interest rates.

We also focused on pursuing potential growth catalysts by acquiring booj, a real estate technology company, for a purchase price of \$26.3 million. With booj, we expect to deliver core technology solutions designed for and with RE/MAX affiliates in 2019. We believe this new technology will make our highly productive agents even more efficient and successful and help RE/MAX franchisees recruit and retain agents.

Financial and Operational Highlights – Year Ended December 31, 2017, as adjusted*

(Compared to year ended December 31, 2016, as adjusted* unless otherwise noted)

*See Note 3, Revenue for more information.

- Total agent count increased by 6.4% to 119,041 agents
- U.S. and Canada combined agent count increased 2.3% to 84,274 agents
- Acquired the master franchise rights Northern Illinois
- Revenue of \$193.7 million, up 10.3% from the prior year
- Net income attributable to RE/MAX Holdings, Inc. of \$10.2 million, which includes a \$10.1 million net expense impact from the Tax Cuts and Jobs Act
- Adjusted EBITDA of \$102.1 million and Adjusted EBITDA margin of 52.7%

During 2017, we grew our business organically primarily due to an increase in broker fee revenue because of rising average home prices and changing agent mix, agent count increases, Motto expansion and July 1, 2016 continuing franchise fee increases in our Company-owned Regions. We grew our network agent count 6.4% and our U.S. and Canadian combined agent count by 2.3%, and we sold 1,059 RE/MAX franchises worldwide, including 324 franchises in the U.S. and Canada combined. Organic growth was negatively impacted by the impact of waiving approximately \$2.0 million of continuing franchise fees and broker fees during the year for hurricane-impacted associates.

Expenses increased primarily due to a \$3.7 million loss recognized related to subleasing a portion of our corporate office building; a net charge of \$2.6 million incurred in connection with a litigation settlement and additional corresponding professional fees related to our 2013 acquisition of the net assets of Tails, Inc. ("Tails"); \$2.6 million of professional fees incurred related to the Special Committee investigation and operating costs for Motto, and the 2016 acquisitions of six independent regions (the "2016 Acquired Regions"), and costs for certain employee benefits and the refresh of the RE/MAX brand.

We focused on growth catalysts by successfully acquiring the Independent Region of Northern Illinois (the "2017 Acquired Region") for a purchase price of \$35.7 million. The acquisition converted nearly 2,300 agents and over 100

offices into the Company-owned Regions.

In 2017, RE/MAX branding was updated with a fresh, modern design. This “brand refresh” resulted in updates to the iconic RE/MAX Balloon logo, the RE/MAX logotype, and RE/MAX property sign designs. In the company’s nearly 50-year history, this was the first time the RE/MAX logotype had been modernized and the third time the RE/MAX Balloon

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logo had been updated.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted. The Tax Cuts and Jobs Act includes significant changes to the U.S. corporate tax system, including a federal corporate rate reduction from 35% to 21%. The reduction in the corporate tax rate from 35% to 21% resulted in substantial reductions to the Company's deferred tax assets and the TRA liabilities and resulted in a net expense impact on net income of \$10.1 million.

Selected Operating and Financial Highlights

For comparability purposes, the following table sets forth our agent count and results of operations for the periods presented in our audited financial statements included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,					
	2018		2017		2016	
			As adjusted*		As adjusted*	
Total agent count growth	4.4	%	6.4	%	6.8	%
Agent Count:						
U.S.	63,122		63,162		61,730	
Canada	21,327		21,112		20,672	
U.S. and Canada Total	84,449		84,274		82,402	
Outside U.S. and Canada	39,831		34,767		29,513	
Total	124,280		119,041		111,915	
Motto open offices	78		31		2	
RE/MAX franchise sales (1)	1,120		1,059		903	
Motto franchise sales	49		60		6	
Total revenue	\$ 212,626		\$ 193,714		\$ 175,642	
Total selling, operating and administrative expenses	\$ 120,179		\$ 106,946		\$ 88,037	
Net income	\$ 50,365		\$ 31,815		\$ 46,848	
Net income attributable to RE/MAX Holdings, Inc.	\$ 27,044		\$ 10,238		\$ 22,221	
Adjusted EBITDA (2)	\$ 104,316		\$ 102,145		\$ 93,789	
Adjusted EBITDA margin (2)	49.1	%	52.7	%	53.4	%

*See Note 3, Revenue for more information.

(1) Includes franchise sales in the U.S., Canada and global regions.

(2) See “—Non-GAAP Financial Measures” for further discussion of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of the differences between Adjusted EBITDA and net income, which is the most comparable U.S. generally accepted accounting principles (“U.S. GAAP”) measure for operating performance. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of total revenue.

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Results of Operations

Year Ended December 31, 2018 vs. Year Ended December 31, 2017

Revenue

A summary of the components of our revenue for the years ended December 31, 2018 and 2017 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)		
	2018	2017 As adjusted*	\$	%	
Revenue:					
Continuing franchise fees	\$ 101,104	\$ 93,694	\$ 7,410	7.9	%
Annual dues	35,894	33,767	2,127	6.3	%
Broker fees	46,871	43,801	3,070	7.0	%
Franchise sales and other revenue	28,757	22,452	6,305	28.1	%
Total revenue	\$ 212,626	\$ 193,714	\$ 18,912	9.8	%

*See Note 3, Revenue for more information.

Consolidated revenue increased \$18.9 million, or 9.8%, due to:

- organic growth of \$8.8 million, or 4.5%, primarily as a result of agent count increases, Motto expansion, rising average home prices, event-based revenue from our annual convention in the U.S. and contributions from the July 1, 2017 annual dues fee increase, and the impact of having waived approximately \$2.0 million of continuing franchise fees and broker fees for hurricane-impacted associates during 2017;
- acquisitions of Northern Illinois and booj added \$10.0 million, or 5.2%; and
- foreign currency movements increased revenue \$0.2 million, or 0.1%.

Continuing Franchise Fees

Revenue from continuing franchise fees increased primarily as a result of contributions from the acquisition of RE/MAX of Northern Illinois, which added \$3.1 million, Motto expansion and agent count growth. Additionally, the Company waived approximately \$1.4 million of continuing franchise fees for hurricane-impacted associates during 2017.

Annual Dues

Revenue from annual dues increased primarily due to an increase in agent count in the U.S. and Canada and the July 1, 2017 fee increase. Revenue from annual dues is not affected by our acquisitions of Independent Regions because agents in the U.S. and Canadian Independent Regions already pay annual dues to us in the same amounts as agents in Company-owned regions.

Broker Fees

Revenue from broker fees increased primarily due to contributions from the acquisition of RE/MAX of Northern Illinois, which added \$1.1 million, organic growth driven primarily by rising average home prices, and having waived approximately \$0.6 million of broker fees for hurricane-impacted associates during 2017, partially offset by declines in total transactions per agent.

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Franchise Sales and Other Revenue

Franchise sales and other revenue increased primarily due to revenue contributed from booj of \$5.6 million and event-based revenue from our annual convention in the U.S.

Operating Expenses

A summary of the components of our operating expenses for the years ended December 31, 2018 and 2017 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)	
	2018	2017 As adjusted*	\$	%
Operating expenses:				
Selling, operating and administrative expenses	\$ 120,179	\$ 106,946	\$ (13,233)	(12.4) %
Depreciation and amortization	20,678	20,512	(166)	(0.8) %
Loss on sale or disposition of assets, net	63	660	597	90.5 %
Gain on reduction in tax receivable agreement liability	(6,145)	(32,736)	(26,591)	(81.2) %
Total operating expenses	\$ 134,775	\$ 95,382	\$ (39,393)	(41.3) %
Percent of revenue	63.4 %	49.2 %		

*See Note 3, Revenue for more information.

Selling, Operating and Administrative Expenses

Selling, operating and administrative expenses consisted of personnel costs, professional fee expenses, rent and related facility operations expense (including losses on subleases) and other expenses. Other expenses include certain marketing and production costs that are not paid by our related party advertising funds, including travel and entertainment costs, and costs associated with our annual conventions in the U.S. and other events.

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A summary of the components of our selling, operating and administrative expenses for the years ended December 31, 2018 and 2017 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)	
	2018	2017 As adjusted*	\$	%
Selling, operating and administrative expenses:				
Personnel	\$ 62,935	\$ 45,063	\$ (17,872)	(39.7) %
Professional fees	15,631	16,927	1,296	7.7 %
Rent and related facility operations	9,104	12,860	3,756	29.2 %
Other	32,509	32,096	(413)	(1.3) %
Total selling, operating and administrative expenses	\$ 120,179	\$ 106,946	\$ (13,233)	(12.4) %
Percent of revenue	56.5 %	55.2 %		

*See Note 3, Revenue for more information.

Total selling, operating and administrative expenses increased as follows:

- Personnel costs increased primarily due to \$5.7 million in costs, including incremental stock-based compensation expense, to support our increased investments in technology, \$5.1 million in costs to support booj's legacy operations assisting its external customers, severance and other payroll related expenses, and operating costs to support Motto.
- Professional fees decreased primarily due to a decrease in acquisition-related costs compared to the prior year and costs incurred during the third quarter of 2017 in connection with litigation related to our 2013 acquisition of the net assets of Tails (See Note 15, Commitments and Contingencies) and other legal fees, partially offset by investments in technology.
- Rent and related facility operations decreased primarily due to a \$3.7 million loss recognized during the third quarter of 2017 related to subleasing a portion of our corporate office building.
- Other selling, operating and administrative expenses increased slightly primarily due to increased costs to support booj's legacy operations assisting its external customers, increased costs for RE/MAX of Northern Illinois and Motto, increases in expenses related to higher attendance at our annual convention in the U.S., and increases in bad debt expense. These increases were largely offset by charges in 2017 that did not recur, including a \$2.6 million net litigation settlement related to our 2013 acquisition of the net assets of Tails (See Note 15, Commitments and Contingencies) and the refresh of the RE/MAX brand. Additionally, during the year ended December 31, 2018, we adjusted the estimated fair value of the contingent consideration liability related to the acquisition of Full House (See Note 11, Fair Value Measurements).

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Depreciation and Amortization

Depreciation and amortization expense increased primarily due to an increase in amortization expense related to intangibles acquired in connection with the acquisitions of RE/MAX of Northern Illinois and booj. See Note 6, Acquisitions for additional information. These increases were largely offset by a reduction in amortization expense related to certain acquired franchise agreements becoming fully amortized.

Loss on Sale or Disposition of Assets, Net

The change in loss on sale or disposition of assets, net was primarily due to the \$0.5 million loss recognized during the year ended December 31, 2017 for a final settlement of certain provisions of the asset sale agreement related to the December 31, 2015 disposition of Sacagawea, LLC d/b/a/ RE/MAX Equity Group (“RE/MAX Equity Group”).

Gain on Reduction in TRA Liability

The gain on reduction in TRA liability resulted from changes in tax law arising from the Tax Cuts and Jobs Act, enacted in December 2017 and further clarified in 2018. These tax law changes resulted in reductions to the value of deferred tax assets the Company holds and related reduction in the value of the TRA liabilities. The gain of \$6.1 million in 2018 is a result of changes in the taxation of foreign derived income, which the Company recognized after performing a detailed review during 2018 of these complex provisions. The gain on reduction in TRA liability of \$32.7 million in 2017 is a result of the reduction in the corporate tax rate from 35% to 21%. See Note 12, Income Taxes for additional information.

Other Expenses, Net

A summary of the components of our other expenses, net for the years ended December 31, 2018 and 2017 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)	
	2018	2017	\$	%
Other expenses, net:				
Interest expense	\$ (12,051)	\$ (9,996)	\$ (2,055)	(20.6) %
Interest income	676	352	324	92.0 %
Foreign currency transaction (loss) gain	(312)	174	(486)	n/m
Total other expenses, net	\$ (11,687)	\$ (9,470)	\$ (2,217)	(23.4) %
Percent of revenue	5.5 %	4.9 %		

n/m – not meaningful

Other expenses, net increased primarily due to an increase in interest expense as a result of increasing interest rates on our 2016 Senior Secured Credit Facility and a change in foreign currency transaction (losses) gains that were primarily as a result of fluctuations of the Canadian dollar against the U.S. dollar.

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Provision for Income Taxes

Our effective income tax rate decreased to 23.9% from 64.2% for the years ended December 31, 2018 and 2017, respectively, primarily due to the Tax Cuts and Jobs Act enacted in December 2017 which resulted in a substantial decrease in our corporate tax rate. See Note 12, Income Taxes for further information on the impact of the Tax Cuts and Jobs Act. Our effective income tax rate depends on many factors, including a rate benefit attributable to the fact that the portion of RMCO, LLC's earnings attributable to the non-controlling interests are not subject to corporate-level taxes because RMCO, LLC ("RMCO") is classified as a partnership for U.S. federal income tax purposes and therefore is treated as a "flow-through entity." See Note 4, Non-controlling Interest for further details on the allocation of income taxes between RE/MAX Holdings and the non-controlling interest.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest, which represents the portion of earnings attributable to the economic interest in RMCO held by RIHI, Inc. ("RIHI"), increased \$1.7 million primarily due to an increase in RMCO's net income during the year ended December 31, 2018 compared to December 31, 2017.

Adjusted EBITDA

See "—Non-GAAP Financial Measures" for our definition of Adjusted EBITDA and for further discussion of our presentation of Adjusted EBITDA as well as a reconciliation of Adjusted EBITDA to net income, which is the most comparable GAAP measure for operating performance.

Adjusted EBITDA was \$104.3 million for the year ended December 31, 2018, an increase of \$2.2 million from the comparable prior year period. Adjusted EBITDA increased primarily due to contributions from the acquisition of RE/MAX of Northern Illinois, agent count growth, rising average home prices and the impact of having waived continuing franchise fees and broker fees for hurricane-impacted associates during 2017. The increases were partially offset by increased investments in technology and personnel, severance expense and operating costs to support booj's legacy operations assisting its external customers.

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Year Ended December 31, 2017 vs. Year Ended December 31, 2016

Revenue

A summary of the components of our revenue for the years ended December 31, 2017 and 2016 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)		
	2017 As adjusted*	2016 As adjusted*	\$	%	
Revenue:					
Continuing franchise fees	\$ 93,694	\$ 81,197	\$ 12,497	15.4	%
Annual dues	33,767	32,653	1,114	3.4	%
Broker fees	43,801	37,209	6,592	17.7	%
Franchise sales and other revenue	22,452	24,471	(2,019)	(8.3)	%
Brokerage revenue	—	112	(112)	n/m	
Total revenue	\$ 193,714	\$ 175,642	\$ 18,072	10.3	%

n/m – not meaningful

*See Note 3, Revenue for more information.

Consolidated revenue increased primarily due to acquisitions of the 2017 Acquired Region and the 2016 Acquired Regions (collectively the “2017 and 2016 Acquired Regions”), which added \$13.5 million, or 7.7%. Organic growth increased revenue \$4.2 million or 2.4%, primarily due to an increase in broker fee revenue due to rising average home prices and changing agent mix, agent count increases, Motto expansion and July 1, 2016 fee increases in our Company-owned Regions. Organic growth was offset by a decrease in revenue recognized from preferred marketing arrangements and the impact of waiving approximately \$2.0 million of continuing franchise fees and broker fees for hurricane-impacted associates during 2017. Foreign currency movements increased revenue \$0.5 million, or 0.3%.

Continuing Franchise Fees

Revenue from continuing franchise fees increased primarily because of contributions from the 2017 and 2016 Acquired Regions, which added \$8.6 million, or 10.6%. Organic growth increased continuing franchise fees by \$3.7 million, or 4.5%, primarily related to agent count growth, which contributed \$2.2 million, July 1, 2016 fee increases in Company-owned Regions, which contributed \$1.2 million, and Motto expansion. Organic growth was negatively impacted by the waiving of approximately \$1.4 million of continuing franchise fees for hurricane-impacted associates during 2017.

Annual Dues

Revenue from annual dues increased primarily due to increased agent count in the U.S. and Canada. Revenue from annual dues is not affected by our acquisitions of Independent Regions because agents in the U.S. and Canadian Independent Regions already pay annual dues to us in the same amounts as agents in Company-Owned regions.

Broker Fees

Revenue from broker fees increased primarily due to the acquisitions of the 2017 and 2016 Acquired Regions, which contributed \$4.2 million to the increase, as well as organic growth of \$2.3 million driven primarily by rising average home prices and a reduction in the number of home sale transactions completed by agents that do not pay broker fees. Organic growth was negatively impacted by the waiving of approximately \$0.6 million of broker fees for hurricane-impacted associates during 2017.

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Franchise Sales and Other Revenue

Franchise sales and other revenue decreased primarily due to a decrease in revenue recognized from preferred marketing arrangements. These decreases were partially offset by contributions from Motto and the 2017 and 2016 Acquired Regions.

Operating Expenses

A summary of the components of our operating expenses for the years ended December 31, 2017 and 2016 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)	
	2017 As adjusted*	2016 As adjusted*	\$	%
Operating expenses:				
Selling, operating and administrative expenses	\$ 106,946	\$ 88,037	\$ (18,909)	(21.5) %
Depreciation and amortization	20,512	16,094	(4,418)	(27.5) %
Loss on sale or disposition of assets, net	660	178	(482)	n/m
Gain on reduction in tax receivable agreement liability	(32,736)	—	32,736	n/m
Total operating expenses	\$ 95,382	\$ 104,309	\$ 8,927	8.6 %
Percent of revenue	49.2 %	59.4 %		

n/m – not meaningful

*See Note 3, Revenue for more information.

Selling, Operating and Administrative Expenses

A summary of the components of our selling, operating and administrative expenses for the years ended December 31, 2017 and 2016 is as follows (in thousands, except percentages):

	Year Ended December 31,		Change Favorable/(Unfavorable)	
	2017 As adjusted*	2016 As adjusted*	\$	%
Selling, operating and administrative expenses:				
Personnel	\$ 45,063	\$ 42,817	\$ (2,246)	(5.2) %
Professional fees	16,927	13,348	(3,579)	(26.8) %
Rent and related facility operations	12,860	8,673	(4,187)	(48.3) %
Other	32,096	23,199	(8,897)	(38.4) %
Total selling, operating and administrative expenses	\$ 106,946	\$ 88,037	\$ (18,909)	(21.5) %

Percent of revenue	55.2	%	50.1	%
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*See Note 3, Revenue for more information.

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Selling, operating and administrative expenses increased as follows:

- Personnel costs increased due to personnel investments to support Motto and the 2017 and 2016 Acquired Regions as well as an increase in certain employee benefits, partially offset by severance and other payroll related expenses recognized in the year ended December 31, 2016 and not recognized in the year ended December 31, 2017.
- Professional fees increased primarily due to \$2.6 million in costs related to the Special Committee investigation and remediation, costs incurred in connection with litigation related to our acquisition of the net assets of Tails and other legal fees. These increases were partially offset due to expenses incurred in the year ended December 31, 2016 in connection with the 2016 Senior Secured Credit Facility.
- Rent and related facility operations increased primarily due to a \$3.7 million loss recognized related to subleasing a portion of our corporate office building. See Note 15, Commitments and Contingencies for additional information.
- Other selling, operating and administrative expenses increased primarily due to a net charge of \$2.6 million incurred in connection with a litigation settlement related to our 2013 acquisition of the net assets of Tails and expenses incurred related to the 2017 and 2016 Acquired Regions, Motto, certain broker events and the refresh of the RE/MAX brand.

Depreciation and Amortization

Depreciation and amortization expense increased primarily due to amortization expense related to the franchise agreements acquired with the 2017 and 2016 Acquired Regions, partially offset by acquired franchise agreements reaching the end of their contractual term in the Texas, California and Hawaii regions.

Loss on Sale or Disposition of Assets, Net

The change in loss on sale or disposition of assets, net was primarily due to the \$0.5 million loss recognized during the year ended December 31, 2017 for a final settlement of certain provisions of the asset sale agreement related to the December 31, 2015 disposition of Sacagawea, LLC d/b/a RE/MAX Equity Group (“RE/MAX Equity Group”).

Gain on Reduction in TRA Liability

The gain on reduction in TRA liability of \$32.7 million in 2017 is a result of the Tax Cuts and Jobs Act enacted in December 2017, which reduced the corporate tax rate from 35% to 21%. This reduction caused a decrease in the

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Company's deferred tax assets and a related decrease in the TRA liability. See Note 12, Income Taxes for additional information.

Other Expenses, Net

A summary of the components of our other expenses, net for the years ended December 31, 2017 and 2016 is as follows (in thousands, except percentages):

	Year Ended		Change	
	December 31, 2017	2016	Favorable/(Unfavorable) \$	%
Other expenses, net:				
Interest expense	\$ (9,996)	\$ (8,596)	\$ (1,400)	(16.3) %
Interest income	352	160	192	n/m
Foreign currency transaction gain (loss)	174	(86)	260	n/m
Loss on early extinguishment of debt	—	(796)	796	n/m
Total other expenses, net	\$ (9,470)	\$ (9,318)	\$ (152)	(1.6) %
Percent of revenue	4.9 %	5.3 %		

n/m – not meaningful

Other expenses, net increased primarily due to higher interest expense as a result of an increase in the principal balance of term debt outstanding under our 2016 Senior Secured Credit Facility, which replaced our 2013 Senior Secured Credit Facility on December 15, 2016. The replacement of the 2013 Senior Secured Credit Facility resulted in a loss on early extinguishment of debt.

Provision for Income Taxes

Our effective income tax rate increased to 64.2% from 24.5% for the years ended December 31, 2017 and 2016, respectively, primarily due to the Tax Cuts and Jobs Act enacted in December 2017 which resulted in a substantial decrease in our deferred tax asset due to the reduction in our corporate tax rate. See Note 12, Income Taxes for further information on the impact of the Tax Cuts and Jobs Act. As shown in Note 12, Income Taxes, our effective income tax rate would have been 24.3% excluding the impacts of the Tax Cuts and Jobs Act. Our effective income tax rate depends on many factors, including a rate benefit attributable to the fact that the portion of RMCO's earnings attributable to the non-controlling interests are not subject to corporate-level taxes because RMCO is classified as a partnership for U.S. federal income tax purposes and therefore is treated as a "flow-through entity." See Note 4, Non-controlling Interest for further details on the allocation of income taxes between RE/MAX Holdings and the non-controlling interest.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest, which represents the portion of earnings attributable to the economic interest in RMCO held by RIHI, decreased \$3.1 million primarily due to a decrease in RMCO's net income during the year ended December 31, 2017 compared to December 31, 2016.

Adjusted EBITDA

See “—Non-GAAP Financial Measures” for our definition of Adjusted EBITDA and for further discussion of our presentation of Adjusted EBITDA as well as a reconciliation of Adjusted EBITDA to net income, which is the most comparable GAAP measure for operating performance.

Adjusted EBITDA was \$102.1 million for the year ended December 31, 2017, an increase of \$8.4 million from the comparable prior year period. Adjusted EBITDA primarily increased due to \$11.0 million in contributions from the 2017 and 2016 Acquired Regions, increases in broker fee revenue due to rising average home prices and a reduction in grandfathered agents, agent count growth, certain payroll related expenses recognized in the year ended December 31,

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2016 and not recognized in the year ended December 31, 2017 and July 1, 2016 fee increases in our Company-owned Regions.

These increases are partially offset by higher operating expenses related to Motto, the refresh of the RE/MAX brand, litigation and a reduction in revenue recognized for preferred marketing arrangements. In addition, fee waivers granted for hurricane-impacted associates reduced Adjusted EBITDA by approximately \$2.0 million.

Non-GAAP Financial Measures

The Securities and Exchange Commission (“SEC”) has adopted rules to regulate the use in filings with the SEC and in public disclosures of financial measures not in accordance with U.S. GAAP, such as Adjusted EBITDA and the ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with U.S. GAAP.

We define 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 our audited financial statements included elsewhere in this Annual Report on Form 10-K), adjusted for the impact of the following items that are either non-cash or that we do not consider representative of our ongoing operating performance: loss or gain on sale or disposition of assets and sublease, loss on early extinguishment of debt, equity-based compensation expense, public offering related expense, acquisition related expense, Special Committee investigation and remediation expense, gain on reduction in TRA liability, expense or income related to changes in the estimated fair value measurement of contingent consideration and other non-recurring items. During the first quarter of 2018, we revised our definition of Adjusted EBITDA to better reflect the performance of our business. We now adjust for expense or income related to changes in the estimated fair value measurement of contingent consideration as these are non-cash items that management believes are not reflective of operating performance. Adjusted EBITDA was revised in prior periods to reflect this change for consistency in presentation.

Because Adjusted EBITDA omits certain non-cash items and other non-recurring cash charges or other items, we believe that it is less susceptible to variances that affect our operating performance resulting from depreciation, amortization and other non-cash and non-recurring cash charges or other items. We present Adjusted EBITDA, and the related Adjusted EBITDA margin, because we believe they are useful as supplemental measures in evaluating the performance of our operating businesses. Our management uses Adjusted EBITDA and Adjusted EBITDA margin as factors in evaluating the performance of our business.

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

- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- these measures do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- these measures do not reflect the cash requirements to pay dividends to stockholders of our Class A common stock and tax and other cash distributions to our non-controlling unitholders;
- these measures do not reflect the cash requirements pursuant to the Tax Receivable Agreements (“TRAs”);
- 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

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· other companies may calculate these measures differently, so similarly named measures may not be comparable. A reconciliation of Adjusted EBITDA to net income for our consolidated results for the periods presented is set forth in the following table (in thousands):

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Net income	\$ 50,365	\$ 31,815	\$ 46,848
Depreciation and amortization	20,678	20,512	16,094
Interest expense	12,051	9,996	8,596
Interest income	(676)	(352)	(160)
Provision for income taxes	15,799	57,047	15,167
EBITDA	98,217	119,018	86,545
(Gain) loss on sale or disposition of assets and sublease, net (1)	(139)	4,260	(171)
Loss on early extinguishment of debt	—	—	2,893
Equity-based compensation expense	9,176	2,900	2,330
Public offering related expenses	—	—	193
Acquisition-related expense (2)	1,634	5,889	1,899
Gain on reduction in TRA liability (3)	(6,145)	(32,736)	—
Special Committee investigation and remediation expense (4)	2,862	2,634	—
Fair value adjustments to contingent consideration (5)	(1,289)	180	100
Adjusted EBITDA	\$ 104,316	\$ 102,145	\$ 93,789

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- (1) Represents (gain) loss on the sale or disposition of assets as well as the (gains) losses on the sublease of a portion of our 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) 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. See Note 12, Income Taxes for additional information.
- (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. See Note 11, Fair Value Measurements for additional information.
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*See Note 3, Revenue for more information.

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Liquidity and Capital Resources

Overview of Factors Impacting Our Liquidity

Our liquidity is affected by the growth of our agent base and conditions in the real estate market. In this regard, our short-term liquidity position from time to time has been, and will continue to be, affected by the number of agents in the RE/MAX network, among other factors. Our cash flows are primarily related to the timing of:

- (i) cash receipt of revenues;
- (ii) payment of selling, operating and administrative expenses, including costs to grow Motto;
- (iii) cash consideration for acquisitions and acquisition-related expenses;
- (iv) principal payments and related interest payments on our 2016 Senior Secured Credit Facility;
- (v) investments in technology;
- (vi) dividend payments to stockholders of our Class A common stock;
- (vii) distributions and other payments to non-controlling unitholders pursuant to the terms of RMCO's fourth amended and restated limited liability company operating agreement ("the New RMCO, LLC Agreement");
- (viii) corporate tax payments paid by the Company; and
- (ix) payments to the TRA Parties pursuant to the TRAs.

We have satisfied these needs primarily through our existing cash balances, cash generated by our operations and funds available under our 2016 Senior Secured Credit Facility.

Financing Resources

On December 15, 2016, RMCO and RE/MAX, LLC, a wholly owned subsidiary of RMCO, amended and restated its previous credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and various lenders party thereto (the "2016 Senior Secured Credit Facility"). The 2016 Senior Secured Credit Facility provides to RE/MAX, LLC \$235.0 million in term loans and a \$10.0 million revolving facility.

The 2016 Senior Secured Credit Facility requires RE/MAX, LLC to repay term loans and reduce revolving commitments with (i) 100.0% of proceeds of any incurrence of additional debt not permitted by the 2016 Senior Secured Credit Facility, (ii) 100.0% of proceeds of asset sales and 100.0% of amounts recovered under insurance policies, subject to certain exceptions and a reinvestment right and (iii) 50.0% of excess cash flow at the end of the applicable fiscal year if RE/MAX, LLC's total leverage ratio as defined in the 2016 Senior Secured Credit Facility is in excess of 3.25:1.00, with such percentage decreasing as RE/MAX, LLC's leverage ratio decreases.

The 2016 Senior Secured Credit Facility is guaranteed by RMCO and RE/MAX of Western Canada (1998), LLC, a wholly owned subsidiary of RE/MAX, LLC, and is secured by a lien on substantially all of the assets of RMCO, RE/MAX, LLC and each guarantor.

Borrowings under the term loans and revolving loans accrue interest, at London Interbank Offered Rate (“LIBOR”), provided LIBOR shall be no less than 0.75% plus an applicable margin of 2.75%.

The 2016 Senior Secured Credit Facility provides for customary restrictions on, among other things, additional indebtedness, liens, dispositions of property, dividends, transactions with affiliates and fundamental changes such as mergers, consolidations and liquidations. With certain exceptions, any default under any of our other agreements evidencing indebtedness in the amount of \$15.0 million or more constitutes an event of default under the 2016 Senior Secured Credit Facility.

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The 2016 Senior Secured Credit Facility restricts the aggregate acquisition consideration for permitted acquisitions, in a situation in which RE/MAX, LLC would not be in pro forma compliance with a 3.5:1.0 total leverage ratio (based on how such term is defined therein), to \$100.0 million in any fiscal year. The 2016 Senior Secured Credit Facility also provides for incremental facilities, subject to lender participation, if the total leverage ratio (calculated as net debt to EBITDA as defined therein) remains below 4.00:1.00.

As of December 31, 2018, we had \$227.2 million of term loans outstanding, net of an unamortized discount and issuance costs, \$0.6 million of long-term financing assumed with the acquisition of booj and no revolving loans outstanding under our 2016 Senior Secured Credit Facility. If any loan or other amounts are outstanding under the revolving line of credit, the 2016 Senior Secured Credit Facility requires compliance with a leverage ratio and an interest coverage ratio. A commitment fee of 0.5% per annum accrues on the amount of unutilized revolving line of credit.

Sources and Uses of Cash

As of December 31, 2018, and 2017, we had \$60.0 million and \$50.8 million, respectively, in cash and cash equivalents, of which approximately \$1.1 million and \$0.8 million were denominated in foreign currencies, respectively.

The following table summarizes our cash flows from operating, investing and financing activities (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Cash provided by (used in):			
Operating activities	\$ 76,064	\$ 63,288	\$ 64,379
Investing activities	(33,675)	(37,918)	(117,332)
Financing activities	(33,152)	(33,235)	228
Effect of exchange rate changes on cash	(70)	1,063	122
Net change in cash and cash equivalents	\$ 9,167	\$ (6,802)	\$ (52,603)

Operating Activities

During the year ended December 31, 2018, cash provided by operating activities increased because of:

- an increase of Adjusted EBITDA of \$2.2 million, which includes \$3.3 million of severance costs accrued but unpaid in the current year period versus the prior year period;
- a decrease of \$7.1 million in TRA payments in the current year period versus the prior year period due to the enactment of the Tax Cuts and Jobs Act; and
- timing differences on various operating assets and liabilities.

The increase in cash provided by operating activities was partially offset by the February 2018 net payment of \$2.6 million to satisfy the terms of a litigation settlement in which no comparable transactions occurred in the prior year period.

During the year ended December 31, 2017, cash provided by operating activities slightly decreased because of:

- an increase of \$12.0 million in cash paid pursuant to the terms of the TRAs in the current period; offset by

the February 2016 payment of \$3.3 million to satisfy liabilities from a litigation settlement that did not recur in the current year period; and

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· an increase in Adjusted EBITDA of \$8.4 million and other selling, operating and administrative activities.
Investing Activities

During the year ended December 31, 2018, cash used in investing activities increased primarily because of the acquisition of booj, investments in training materials and cash used for technology investments.

During the year ended December 31, 2017, cash used in investing activities decreased primarily because of the 2016 acquisitions of Motto and the 2016 Acquired Regions as well as a reduction in the investments in our information technology infrastructure, partially offset by the acquisition of RE/MAX of Northern Illinois in 2017.

Financing Activities

During the year ended December 31, 2018, cash used in financing activities decreased primarily due to:

- a decrease in distributions paid to non-controlling unitholders due to tax changes arising from the Tax Cuts and Jobs Act enacted in December 2017, offset by
- an increase in cash paid to Class A common stockholders and non-controlling unitholders due to our Board of Directors declaring a dividend of \$0.20 per share on all outstanding shares of Class A common stock in all four quarters of 2018 compared to a dividend of \$0.18 per share on all outstanding shares of Class A common stock in all four quarters of 2017, as well as
- an increase in cash paid related to financing assumed with the acquisition of booj.

During the year ended December 31, 2017, cash used in financing activities increased because of:

- net cash proceeds of \$44.0 million received in 2016 in connection with the 2016 Senior Secured Credit facility;
- a decrease of \$12.7 million due to the excess cash flow prepayment made on the 2013 Senior Secured Credit Facility in March 2016 for which a similar payment was not made in 2017 pursuant to the revised terms of the 2016 Senior Secured Credit Facility, partially offset by
- an increase of \$1.5 million in cash paid to Class A common stockholders and non-controlling unitholders due to our Board of Directors declaring a quarterly dividend of \$0.18 per share on all outstanding shares of Class A common stock in 2017 compared to a quarterly dividend of \$0.15 per share on all outstanding shares of Class A common stock in 2016.

Capital Allocation Priorities

Liquidity

Our objective is to maintain a strong liquidity position. We have existing cash balances, cash flows from operating activities, access to our revolving line of credit and incremental facilities under our 2016 Senior Secured Credit Facility, which matures in December 2023, available to support the needs of our business.

Acquisitions

As part of our growth strategy we may pursue reacquisitions of Independent Regions in the U.S. and Canada as well as additional acquisitions or investments in complementary businesses, services and technologies that would provide access to new markets or customers, or otherwise complement our existing operations. We would fund any such growth with existing cash balances, funds generated from operations and access to our revolving line of credit and incremental facilities under our 2016 Senior Secured Credit Facility.

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Capital Expenditures

The total aggregate amount for purchases of property and equipment and capitalization of developed software and trademark costs was \$7.8 million, \$2.1 million and \$4.4 million in 2018, 2017 and 2016, respectively. These amounts primarily related to investments in technology and training materials. In order to expand our technological capabilities, we plan to continue to re-invest in our business in order to improve operational efficiencies and enhance the tools and services provided to the franchisees and agents in our network. Total capital expenditures for 2019 are expected to be between \$10.0 million and \$12.0 million as a result of increased investments in technology. See Financial and Operational Highlights above for additional information.

Dividends

Our Board of Directors declared quarterly cash dividends of \$0.20 and \$0.18 per share on all outstanding shares of Class A common stock every quarter in 2018 and 2017, respectively, as disclosed in Note 5, Earnings Per Share and Dividends. On February 20, 2019, our Board of Directors announced a quarterly dividend of \$0.21 per share. The declaration of additional future dividends, and, if declared, the amount of any such future dividend, will be subject to our actual future earnings and capital requirements and will be at the discretion of our Board of Directors; however, we currently intend to continue to pay a cash dividend on shares of Class A common stock on a quarterly basis.

Distributions and Other Payments to Non-controlling Unitholders by RMCO

Distributions to Non-Controlling Unitholders Pursuant to the RMCO, LLC Agreement

As authorized by the RMCO, LLC Agreement, RMCO makes cash distributions to its unitholders, RE/MAX Holdings and RIHI, also referred to as its members. Distributions are required to be made by RMCO to its members on a pro-rata basis in accordance with each members' ownership percentage in RMCO. These distributions have historically been either in the form of payments to cover its members' estimated tax liabilities, dividend payments, or payments to ensure pro-rata distributions have occurred.

As a limited liability company (treated as a partnership for income tax purposes), RMCO does not incur significant domestic federal, state or local income taxes, as these taxes are primarily the obligations of its members. RMCO is generally required to distribute cash to its members to cover each member's estimated tax liabilities, if any, with respect to their allocable share of RMCO earnings. Such distributions are required if any other distributions from RMCO (i.e., in the form of dividend payments) for the relevant period are otherwise insufficient to enable each member to cover its estimated tax liabilities.

RE/MAX Holdings' only source of cash flow from operations is in the form of distributions from RMCO. RE/MAX Holdings receives distributions from RMCO on a quarterly basis that are equal to the dividend payments RE/MAX Holdings makes to the stockholders of its Class A common stock. As a result, absent any additional distributions, RE/MAX Holdings may have insufficient funds to cover its estimated tax and TRA liabilities. Therefore, as necessary, RMCO makes a separate distribution to RE/MAX Holdings, and because all distributions must be made on a pro-rata basis, RIHI receives a separate payment to ensure such pro-rata distributions have occurred.

Throughout the year until completion of its tax return with respect to such year, RMCO may pay required or pro-rata true-up distributions to its members, if cash is available for such purposes, with respect to actual taxable income for the prior year. See Note 4, Non-controlling Interest for further details on distributions made by RMCO.

Payments Pursuant to the Tax Receivable Agreements

As of December 31, 2018, the Company reflected a total liability of \$40.8 million under the terms of its TRAs. The liability pursuant to the TRAs will increase in the future upon future exchanges by RIHI of RMCO common units, with the increase representing 85% of the estimated future tax benefits, if any, resulting from such exchanges. We receive funding from RMCO in order to fund the payment of amounts due under the TRAs.

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The actual payments, and associated tax benefits, will vary depending upon a number of factors, including the timing of exchanges by RIHI, the price of our Class A common stock at the time of such exchanges, the amount and timing of the taxable income we generate in the future and the tax rate then applicable.

Distributions and other payments to RIHI pursuant to the RMCO, LLC Agreement and TRAs in the years ended December 31, 2018 and 2017 were comprised of the following (in thousands):

	Year Ended December 31,	
	2018	2017
Distributions and other payments to RIHI pursuant to the RMCO, LLC Agreement:		
Required pro rata distributions as a result of distributions to RE/MAX Holdings in order to satisfy its estimated tax liabilities	\$ 4,511	\$ 8,217
Dividend distributions	10,048	9,043
Total distributions to RIHI	14,559	17,260
Payments pursuant to the TRAs	6,305	13,371
Total distributions to RIHI and TRA payments	\$ 20,864	\$ 30,631
Contractual Obligations		

The following table summarizes our contractual obligations as of December 31, 2018 and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
2016 Senior Secured Credit Facility (including current portion) (1) (2)	\$ 229,713	\$ 2,350	\$ 4,700	\$ 222,663	\$ —
Other long-term financing (including current portion) (3)	634	272	362	—	—
Interest payments on credit facility (4)	59,426	12,232	24,121	23,073	—
Interest payments on other long-term debt (3)	76	52	24	—	—
Lease obligations (5)	84,332	8,315	17,294	16,549	42,174
Payments pursuant to tax receivable agreements (6)	40,787	3,567	7,201	7,118	22,901
Vendor contracts (7)	3,018	3,018	—	—	—
Estimated undiscounted contingent consideration payments (8)	10,068	283	1,387	2,476	5,922
	\$ 428,054	\$ 30,089	\$ 55,089	\$ 271,878	\$ 70,997

(1) We are required to make quarterly principal payments on our 2016 Senior Secured Credit Facility of \$0.6 million through December 2023. We have also reflected full payment of long-term debt at maturity of our 2016 Senior Secured Credit Facility in December 2023. The total amount excludes the unamortized discount.

(2) The 2016 Senior Secured Credit Facility only requires mandatory prepayments and commitment reductions throughout the term of the loan if the total leverage ratio as of the last day of such fiscal year is greater than 2.75

to 1.0. If the total leverage ratio as of the last day of such fiscal year is not greater than 2.75 to 1.0 no excess cash flow principal prepayment is required. No excess cash flow principal prepayments are included as our total leverage ratio as of December 31, 2018 was not greater than 2.75 to 1.0 and we don't anticipate our total leverage ratio to be greater than 2.75 to 1.0 in future periods.

- (3) Includes financing assumed with the acquisition of booj.
- (4) The variable interest rate on the 2016 Senior Secured Credit Facility is assumed at the interest rate in effect as of December 31, 2018 of 5.27%.
- (5) We are obligated under non-cancelable leases for offices and equipment. Future payments under these leases and commitments, net of payments to be received under sublease agreements of \$5.7 million in the aggregate, are included in the table above.
- (6) As described elsewhere in this Annual Report on Form 10-K, we entered into TRAs, that will provide for the payment by us of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we realize as a result of tax deductions arising from the increase in tax basis in RMCO's assets.
- (7) Represents outstanding purchase orders with vendors initiated in the ordinary course of business for operating and capital expenditures.
- (8) Represents estimated payments to the former owner of Full House as required per the purchase agreement.

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Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of December 31, 2018.

Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We base estimates on historical experience and other assumptions believed to be reasonable under the circumstances and evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies. We believe that the accounting policies and estimates discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Motto Goodwill and Contingent Consideration

Goodwill is an asset representing the future economic benefits arising from the other assets acquired in a business combination that are not individually identified and separately recognized. We assess goodwill for impairment at least annually or whenever an event occurs or circumstances change that would indicate impairment may have occurred at the reporting unit level. Reporting units are driven by the level at which segment management reviews operating results. We perform our required impairment testing annually on October 1.

Our impairment assessment begins with a qualitative assessment to determine if it is more likely than not that a reporting unit's fair value is less than the carrying amount. The initial qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results as well as other factors which might indicate that the reporting unit's value has declined since the last assessment date. If it is determined in the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the standard two-step quantitative impairment test is performed. The first step of the quantitative impairment test consists of comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, then it is not considered impaired and no further analysis is required. If the first step of the quantitative impairment test indicates that the estimated fair value of a reporting unit is less than its carrying value, then impairment potentially exists and the second step of the quantitative impairment test is performed to measure the amount of goodwill impairment. Goodwill impairment is measured as the difference between the implied fair value of a reporting unit's goodwill and its carrying value.

During 2018, 2017 and 2016, we performed the qualitative impairment assessments for all reporting units by evaluating, among other things, market and general economic conditions, entity-specific events, events affecting a reporting unit and our results of operations and key performance measures. Except for the Motto Franchising segment, the fair value of the reporting units significantly exceeded their carrying values at the latest assessment date.

The Motto Franchising segment, which has a carrying value of goodwill as of December 31, 2018 of \$11.8 million, is a startup business and its fair value is tied primarily to franchise sales over the next several years. Failure to achieve targeted franchise sales (which are currently estimated at between 50 and 80 per year over the next 10 years) would likely result in an impairment of this goodwill balance.

We did not record any material goodwill impairments during the years ended December 31, 2018, 2017 and 2016.

Contingent consideration consists of an earn-out obligation in connection with the acquisition of Full House, in which we are required to pay additional purchase consideration totaling eight percent of gross revenues generated by the acquired business each year through 2026 with no limitation as to the maximum payout. Contingent consideration is recorded at the acquisition date fair value, which is measured at the present value of the consideration expected to be

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transferred. The fair value of contingent consideration is re-measured at the end of each reporting period with the change in fair value recognized in selling, operating and administrative expenses in the Consolidated Statements of Income. Similar to the goodwill discussion above, estimates of the fair value of contingent consideration are also impacted by Motto franchise sales over the next several years and discount rates. See Note 11, Fair Value Measurement for additional information. Contingent consideration obligations were \$5.1 million at December 31, 2018, with \$0.3 million classified as current in our Consolidated Balance Sheets.

Purchase Accounting for Acquisitions

We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the identifiable assets less liabilities is recorded as goodwill. Purchase price allocations require management to make assumptions and apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities primarily using discounted cash flow analysis.

We engage outside appraisal firms to assist in the fair value determination of identifiable intangible assets, primarily franchise rights. The timing and amount of expected future cash flows used in the valuation requires estimates, among other items, of revenue and agent growth rates, operating expenses and expected operating cash flow margins. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties. We adjust the preliminary purchase price allocation, as necessary, after the acquisition closing date through the end of the measurement period of one year or less as we finalize valuations for the assets acquired and liabilities assumed. If estimates or assumptions used to complete the initial purchase price allocation and estimate the fair value of acquired assets and liabilities significantly differed from assumptions made in the final valuation, the allocation of purchase price between goodwill and intangibles could significantly differ. Such a difference would impact future earnings through amortization expense of these intangibles. In addition, if forecasts supporting the valuation of the intangible assets or goodwill are not achieved, impairments could arise, as discussed further above.

Deferred Tax Assets and TRA Liability

As discussed in Item 1. Business, RE/MAX Holdings has twice acquired significant portions of the ownership in RMCO. When RE/MAX Holdings acquired this ownership in the form of common units, it received a significant step-up in tax basis on the underlying assets held by RMCO. The step-up is principally equivalent to the difference between (1) the fair value of the underlying assets on the date of acquisition of the common units and (2) their tax basis in RMCO, multiplied by the percentage of units acquired. The majority of the step-up in basis relates to intangibles assets, primarily franchise agreements and goodwill, and is included within deferred tax assets of approximately \$53.7 million on our consolidated balance sheets at December 31, 2018. The computation of the step-up requires valuations of the intangible assets of RMCO and has the same complexities and estimates as discussed in Purchase Accounting for Acquisitions above. In addition, the step-up is governed by complex IRS rules that limit which intangibles are subject to step-up, and also imposes further limits on the amount of step-up. Given the magnitude of the deferred tax assets and complexity of the calculations, small adjustments to our model used to calculate these deferred tax assets can result in material changes to the amounts recognized. If more common units of RMCO are redeemed by RIHI, the percentage of RE/MAX Holdings' ownership of RMCO will increase, and additional deferred tax assets will be created as additional tax basis step-ups occur.

Pursuant to the TRA agreements, RE/MAX Holdings makes annual payments to RIHI and Parallaxes Rain Co-Investment, LLC ("Parallaxes") (a successor to the TRAs prior owner) equivalent to 85% of any tax benefits realized on each year's tax return from the additional tax deductions arising from the step-up in tax basis. A TRA liability of

\$40.8 million exists as of December 31, 2018 for the future cash obligations expected to be paid under the TRAs and is not discounted. The calculation of this liability is a function of the step-up described above and therefore has the same complexities and estimates. Similar to the deferred tax assets, these liabilities would increase if RIHI redeems additional common units of RMCO.

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General Litigation Matters

We are subject to litigation claims arising in the ordinary course of business. We accrue for contingencies related to litigation matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing litigation matters is highly subjective and requires judgments about future events. We regularly review litigation matters to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates. See Note 15, Commitments and Contingencies for more information related to litigation matters.

New Accounting Pronouncements

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities that arise from all leases on the consolidated balances sheets. ASU 2016-02 is required to be adopted by us on January 1, 2019. We plan to elect the transition method per ASU 2018-11 and apply the new lease standard at adoption and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and will not retrospectively recast prior periods presented. We have several building leases and other smaller leases for which we are still assessing the application of this standard. We have determined that the adoption of this standard will increase both “Total assets” and “Total liabilities” on the Consolidated Balance Sheets by approximately \$54.0 million, primarily related to building leases.

Other than the items noted above, there have been no new accounting pronouncements not yet effective that we believe have a significant impact, or potential significant impact, to our financial statements.

See Note 2, Summary of Significant Accounting Policies for recently issued accounting pronouncements applicable to us and the effect of those standards on our financial statements and related disclosures.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the U.S. and globally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce certain of these risks, we monitor the financial condition of our large franchisees. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and mature within three months from the date of purchase. We do not currently use derivative instruments to mitigate the impact of our market risk exposures nor do we use derivatives for trading or speculative purposes.

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our 2016 Senior Secured Credit Facility which bear interest at variable rates. At December 31, 2018, \$229.7 million in term loans were outstanding under our 2016 Senior Secured Credit Facility. As of December 31, 2018, the undrawn borrowing availability under the revolving line of credit under our 2016 Senior Secured Credit Facility was \$10.0 million. We currently do not engage in any interest rate hedging activity, but given our variable rate borrowings, we monitor interest rates and if appropriate, may engage in hedging activity prospectively. The interest rate on our 2016 Senior Secured Credit

Facility is currently based on LIBOR, subject to a floor of 0.75%, plus an applicable margin of 2.75%. As of December 31, 2018, the interest rate was 5.27%. If LIBOR rises, then each hypothetical 0.25% increase would result in additional annual interest expense of \$0.6 million.

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Currency Risk

We have a network of global franchisees in over 110 countries and territories. Fluctuations in exchange rates of the U.S. dollar against foreign currencies can result, and have resulted, in fluctuations in (a) revenue and operating income due to a portion of our revenue being denominated in foreign currencies and (b) foreign exchange transaction gains and losses due primarily to cash and accounts receivable balances denominated in foreign currencies, with the Canadian dollar representing the most significant exposure. We currently do not engage in any foreign exchange hedging activity of our revenues but may do so in the future; however, we actively convert cash balances into U.S. dollars to mitigate currency risk on cash positions. During the year ended December 31, 2018, a hypothetical 5% strengthening/weakening in the value of the U.S. dollar compared to the Canadian dollar would have resulted in a decrease/increase to operating income of approximately \$1.1 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
RE/MAX Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of RE/MAX Holdings, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in 2018 due to the adoption of ASC Topic 606, Revenue Recognition – Revenue from Contracts with Customers.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/KPMG LLP

We have served as the Company's auditor since 2003.

Denver, Colorado
February 22, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
RE/MAX Holdings, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited RE/MAX Holdings, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 22, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance

with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

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inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/KPMG LLP

Denver, Colorado
February 22, 2019

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RE/MAX HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	As of December 31,	
	2018	2017 As adjusted*
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,974	\$ 50,807
Accounts and notes receivable, current portion, less allowances of \$7,980 and \$7,223, respectively	21,185	20,284
Income taxes receivable	533	963
Other current assets	5,855	7,974
Total current assets	87,547	80,028
Property and equipment, net of accumulated depreciation of \$13,280 and 12,326, respectively	4,390	2,905
Franchise agreements, net	103,157	119,349
Other intangible assets, net	22,965	8,476
Goodwill	150,684	135,213
Deferred tax assets, net	53,698	62,841
Other assets, net of current portion	4,399	4,023
Total assets	\$ 426,840	\$ 412,835
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,890	\$ 517
Accrued liabilities	13,143	15,390
Income taxes payable	208	97
Deferred revenue	25,489	25,268
Current portion of debt	2,622	2,350
Current portion of payable pursuant to tax receivable agreements	3,567	6,252
Total current liabilities	46,919	49,874
Debt, net of current portion	225,165	226,636
Payable pursuant to tax receivable agreements, net of current portion	37,220	46,923
Deferred tax liabilities, net	400	151
Deferred revenue, net of current portion	20,224	20,228
Other liabilities, net of current portion	17,637	19,897
Total liabilities	347,565	363,709
Commitments and contingencies (note 15)		
Stockholders' equity:		
Class A common stock, par value \$0.0001 per share, 180,000,000 shares authorized; 17,754,416 shares issued and outstanding as of December 31, 2018;	2	2

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17,696,991 shares issued and outstanding as of December 31, 2017

Class B common stock, par value \$0.0001 per share, 1,000 shares authorized; 1 share issued and outstanding as of December 31, 2018 and December 31, 2017

Additional paid-in capital	—	—
Retained earnings	460,101	451,199
Accumulated other comprehensive income, net of tax	21,138	8,400
Total stockholders' equity attributable to RE/MAX Holdings, Inc.	328	459
Non-controlling interest	481,569	460,060
Total stockholders' equity	(402,294)	(410,934)
Total liabilities and stockholders' equity	79,275	49,126
See accompanying notes to consolidated financial statements	\$ 426,840	\$ 412,835

*See Note 3, Revenue for more information.

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RE/MAX HOLDINGS, INC.

Consolidated Statements of Income

(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Revenue:			
Continuing franchise fees	\$ 101,104	\$ 93,694	\$ 81,197
Annual dues	35,894	33,767	32,653
Broker fees	46,871	43,801	37,209
Franchise sales and other revenue	28,757	22,452	24,471
Brokerage revenue	—	—	112
Total revenue	212,626	193,714	175,642
Operating expenses:			
Selling, operating and administrative expenses	120,179	106,946	88,037
Depreciation and amortization	20,678	20,512	16,094
Loss on sale or disposition of assets, net	63	660	178
Gain on reduction in tax receivable agreement liability (note 4)	(6,145)	(32,736)	—
Total operating expenses	134,775	95,382	104,309
Operating income	77,851	98,332	71,333
Other expenses, net:			
Interest expense	(12,051)	(9,996)	(8,596)
Interest income	676	352	160
Foreign currency transaction (losses) gains	(312)	174	(86)
Loss on early extinguishment of debt	—	—	(796)
Total other expenses, net	(11,687)	(9,470)	(9,318)
Income before provision for income taxes	66,164	88,862	62,015
Provision for income taxes	(15,799)	(57,047)	(15,167)
Net income	\$ 50,365	\$ 31,815	\$ 46,848
Less: net income attributable to non-controlling interest (note 4)	23,321	21,577	24,627
Net income attributable to RE/MAX Holdings, Inc.	\$ 27,044	\$ 10,238	\$ 22,221
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock			
Basic	\$ 1.52	\$ 0.58	\$ 1.26
Diluted	\$ 1.52	\$ 0.58	\$ 1.26
Weighted average shares of Class A common stock outstanding			
Basic	17,737,649	17,688,533	17,628,741
Diluted	17,767,499	17,731,800	17,677,768

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Cash dividends declared per share of Class A common stock	\$ 0.80	\$ 0.72	\$ 0.60
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See accompanying notes to consolidated financial statements.

*See Note 3, Revenue for more information.

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RE/MAX HOLDINGS, INC.

Consolidated Statements of Comprehensive Income

(In thousands)

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Net income	\$ 50,365	\$ 31,815	\$ 46,848
Change in cumulative translation adjustment	(253)	1,037	146
Other comprehensive (loss) income, net of tax	(253)	1,037	146
Comprehensive income	50,112	32,852	46,994
Less: comprehensive income attributable to non-controlling interest	23,199	22,108	24,715
Comprehensive income attributable to RE/MAX Holdings, Inc., net of tax	\$ 26,913	\$ 10,744	\$ 22,279
See accompanying notes to consolidated financial statements.			

*See Note 3, Revenue for more information.

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RE/MAX HOLDINGS, INC.

Consolidated Statements of Stockholders' Equity

(In thousands, except unit and share amounts)

	Class A		Class B		Additional	Retained	Accumulated other comprehensive income (loss), net of tax	Non- controlling interest	
	common stock		common stock		paid-in	earnings			
	Shares	Amount	Shares	Amount	capital				
Balances, January 1, 2016, as previously reported	17,584,351	\$ 2	1	\$ —	\$ 446,209	\$ 4,231	\$ (105)	\$ (410,923)	\$
Impact of change in accounting policy (note 3)	—	—	—	—	—	(4,875)	—	(11,596)	
As adjusted* balances, January 1, 2016	17,584,351	\$ 2	1	\$ —	\$ 446,209	\$ (644)	\$ (105)	\$ (422,519)	\$
Net income	—	—	—	—	—	22,221	—	24,627	
Distributions paid to non-controlling unitholders	—	—	—	—	—	—	—	(17,927)	
Equity-based compensation expense	—	—	—	—	2,330	—	—	—	
Dividends paid to Class A common stockholders	—	—	—	—	—	(10,578)	—	—	
Change in accumulated other comprehensive (loss) income	—	—	—	—	—	—	58	88	
Payroll taxes related to net settled restricted stock units	(13,639)	—	—	—	(516)	—	—	—	
Issuance of Class A common stock, equity-based compensation plans	81,836	—	—	—	101	—	—	—	
Cumulative effect adjustment from	—	—	—	—	123	(44)	—	(51)	

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change in accounting principle									
Other	—	—	—	—	466	—	—	—	
As adjusted* balances,									
December 31, 2016	17,652,548	\$ 2	1	\$ —	\$ 448,713	\$ 10,955	\$ (47)	\$ (415,782)	\$
Net income	—	—	—	—	—	10,238	—	21,577	
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(17,260)	
Equity-based compensation expense and related dividend equivalents	58,426	—	—	—	2,900	(53)	—	—	
Dividends to Class A common stockholders	—	—	—	—	—	(12,740)	—	—	
Change in accumulated other comprehensive income	—	—	—	—	—	—	506	531	
Payroll taxes related to net settled restricted stock units	(13,983)	—	—	—	(816)	—	—	—	
Other	—	—	—	—	402	—	—	—	
As adjusted* balances,									
December 31, 2017	17,696,991	\$ 2	1	\$ —	\$ 451,199	\$ 8,400	\$ 459	\$ (410,934)	\$
Net income	—	—	—	—	—	27,044	—	23,321	
Distributions to non-controlling unitholders	—	—	—	—	—	—	—	(14,559)	
Equity-based compensation expense and related dividend equivalents	73,462	—	—	—	9,314	(113)	—	—	
Dividends to Class A common stockholders	—	—	—	—	—	(14,193)	—	—	
Change in accumulated other comprehensive income	—	—	—	—	—	—	(131)	(122)	
Payroll taxes related to net settled restricted stock units	(16,037)	—	—	—	(895)	—	—	—	
Other	—	—	—	—	483	—	—	—	

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Balances,

December 31, 2018	17,754,416	\$ 2	1	\$ —	\$ 460,101	\$ 21,138	\$ 328	\$ (402,294)	\$
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See accompanying notes to consolidated financial statements.

*See Note 3, Revenue for more information.

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RE/MAX HOLDINGS, INC.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Cash flows from operating activities:			
Net income	\$ 50,365	\$ 31,815	\$ 46,848
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,678	20,512	16,094
Bad debt expense	2,257	1,109	1,195
(Gain) loss on sale or disposition of assets and sublease, net	(139)	4,260	(171)
Loss on early extinguishment of debt	—	—	796
Equity-based compensation expense	9,176	2,900	2,330
Deferred income tax expense	9,552	47,965	3,367
Fair value adjustments to contingent consideration	(1,289)	180	100
Payments pursuant to tax receivable agreements	(6,305)	(13,371)	(1,344)
Non-cash change in tax receivable agreement liability	(6,145)	(32,736)	—
Other	1,082	1,145	1,029
Changes in operating assets and liabilities			
Accounts and notes receivable, current portion	(3,241)	(2,825)	(3,841)
Advances from/to affiliates	581	(106)	71
Other current and noncurrent assets	2,170	(2,724)	186
Other current and noncurrent liabilities	(3,497)	2,815	(1,956)
Income taxes receivable/payable	560	(1,133)	(71)
Deferred revenue and deposits, current portion	259	3,482	(254)
Net cash provided by operating activities	76,064	63,288	64,379
Cash flows from investing activities:			
Purchases of property, equipment and software and capitalization of trademark costs	(7,787)	(2,198)	(4,502)
Acquisitions, net of cash acquired of \$362, \$0 and \$131, respectively	(25,888)	(35,720)	(112,934)
Dispositions	—	—	200
Other investing activity, net	—	—	(96)
Net cash (used in) provided by investing activities	(33,675)	(37,918)	(117,332)
Cash flows from financing activities:			
Proceeds from issuance of debt	—	—	233,825
Payments on debt	(3,171)	(2,366)	(203,298)
Capitalized debt amendment costs	—	—	(1,379)
Distributions paid to non-controlling unitholders	(14,559)	(17,260)	(17,927)

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Dividends and dividend equivalents paid to Class A common stockholders	(14,306)	(12,793)	(10,578)
Proceeds from exercise of stock options	—	—	101
Payment of payroll taxes related to net settled restricted stock units	(895)	(816)	(516)
Payment of contingent consideration	(221)	—	—
Net cash (used in) provided by financing activities	(33,152)	(33,235)	228
Effect of exchange rate changes on cash	(70)	1,063	122
Net increase (decrease) in cash and cash equivalents	9,167	(6,802)	(52,603)
Cash and cash equivalents, beginning of year	50,807	57,609	110,212
Cash and cash equivalents, end of period	\$ 59,974	\$ 50,807	\$ 57,609
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 11,525	\$ 9,972	\$ 7,797
Net cash paid for income taxes	\$ 5,769	\$ 10,078	\$ 11,912
Schedule of non-cash investing and financing activities:			
Note receivable received as consideration for sale of brokerage operations assets	\$ —	\$ —	\$ 150
Increase in accounts payable for capitalization of trademark costs and purchases of property, equipment and software	\$ 1,080	\$ 295	\$ 150
Contingent consideration issued in a business acquisition	\$ —	\$ —	\$ 6,300

See accompanying notes to consolidated financial statements.

*See Note 3, Revenue for more information.

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1. Business and Organization

RE/MAX Holdings, Inc. (“RE/MAX Holdings”) completed an initial public offering (the “IPO”) of its shares of Class A common stock on October 7, 2013. RE/MAX Holdings’ only business is to act as the sole manager of RMCO, LLC (“RMCO”). As of December 31, 2018, RE/MAX Holdings owns 58.57% of the common membership units in RMCO, while RIHI, Inc. (“RIHI”) owns the remaining 41.43% of common membership units in RMCO. RE/MAX Holdings and its consolidated subsidiaries, including RMCO, are referred to hereinafter as the “Company.”

The Company is a franchisor in the real estate industry, franchising real estate brokerages globally under the RE/MAX brand (“RE/MAX”) and mortgage brokerages within the United States (“U.S.”) under the Motto Mortgage brand. RE/MAX, founded in 1973, has over 120,000 agents operating in over 8,000 offices and a presence in more than 110 countries and territories. Motto Mortgage (“Motto”), founded in 2016, is the first nationally franchised mortgage brokerage in the U.S. During the first quarter of 2018, the Company acquired all membership interests in booj, LLC, formerly known as Active Website, LLC, (“booj”), a real estate technology company. The Company sold certain operating assets and liabilities of its owned brokerage offices during the first quarter of 2016 to existing RE/MAX franchisees. Since then, RE/MAX is 100% franchised, and no longer operates any real estate brokerage offices and therefore, no longer recognizes brokerage revenue.

The Company’s revenue is derived from:

- Continuing franchise fees which consist of fixed contractual fees paid monthly by regional franchise owners and franchisees based on the number of RE/MAX agents in the respective franchised region or office and the number of Motto offices;
 - Annual dues from RE/MAX agents;
 - Broker fees, which consist of a small percentage of fees received by agents on real estate commissions when an agent sells a home; and
 - Franchise sales and other revenue which consist of fees from initial sales of RE/MAX and Motto franchises, renewals of RE/MAX franchises, master franchise fees, preferred marketing arrangements, approved supplier programs, event-based revenue from training and other programs and revenue from booj’s legacy customers.
- See Note 2, Summary of Significant Accounting Policies for information on the Company’s revenue recognition policies.

RE/MAX Holdings Capital Structure

RE/MAX Holdings has two classes of common stock, Class A common stock and Class B common stock, which are described as follows:

Class A common stock

Holders of shares of Class A common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Additionally, holders of shares of Class A common stock are entitled to receive dividends when and if declared by the Company’s Board of Directors, subject to any statutory or contractual restrictions on the payment of dividends.

Holders of shares of Class A common stock do not have preemptive, subscription, redemption or conversion rights.

Class B common stock

RIHI is the sole holder of Class B common stock and is controlled by David Liniger, the Company's Chairman and Co-Founder, and Gail Liniger, the Company's Vice Chair and Co-Founder. On October 7, 2018, pursuant to the terms of the Company's Certificate of Incorporation, RIHI lost its previous effective control of a majority of the voting power of RE/MAX Holdings common stock. RIHI owns all RE/MAX Holdings' Class B common stock which, prior to October 7, 2018, entitled RIHI to a number of votes on matters presented to RE/MAX Holdings stockholders equal to two times the number of RMCO common units that RIHI held. Effective October 7, 2018, the voting power of Class B common stock was reduced to equal the number of RMCO common units held, and therefore RIHI lost the controlling vote of RE/MAX Holdings. As a result of this change in the voting rights of the Class B common stock, RIHI no longer controls

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a majority of the voting power of RE/MAX Holdings' common stock, and RE/MAX Holdings is no longer considered a "controlled company" under the corporate governance standards of the New York Stock Exchange (the "NYSE"). See Item 1. Business above for further information.

Holders of shares of Class B common stock do not have preemptive, subscription, redemption or conversion rights.

Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters presented to the Company's stockholders for their vote or approval, except as otherwise required by applicable law.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements ("financial statements") and notes thereto included in this Annual Report on Form 10-K have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The accompanying financial statements include the accounts of RE/MAX Holdings and its consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated. In the opinion of management, the accompanying financial statements reflect all normal and recurring adjustments necessary to present fairly the Company's financial position as of December 31, 2018 and 2017, the results of its operations and comprehensive income, changes in its stockholders' equity and its cash flows for the years ended December 31, 2018, 2017 and 2016.

During 2018, the Company completed the acquisition of booj, and during 2017 and 2016, the Company completed the acquisitions of various independent regions. Their results of operations, cash flows and financial positions are included in the financial statements from their respective dates of acquisition. See Note 6, Acquisitions for additional information.

Reclassifications

Other than the change in accounting principle discussed in Note 3, Revenue, there have been no reclassifications to the financial statements during the current year.

Use of Estimates

The preparation of the accompanying financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

RE/MAX Holdings consolidates RMCO and records a non-controlling interest in the accompanying Consolidated Balance Sheets and records net income attributable to the non-controlling interest and comprehensive income attributable to the non-controlling interest in the accompanying Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, respectively.

Revenue Recognition

The Company generates all its revenue from contracts with customers. The Company's franchise agreements offer the following benefits to the franchisee: common use and promotion of RE/MAX and Motto trademarks; distinctive sales and promotional materials; access to technology; standardized supplies and other materials used in RE/MAX and Motto offices; and recommended procedures for operation of RE/MAX and Motto offices. The Company concluded that these benefits are highly related and all a part of one performance obligation, a license of symbolic intellectual property that is billed through a variety of fees including franchise sales, continuing franchise fees, broker fees, and annual dues, described below. The Company has other performance obligations associated with contracts with customers in other revenue for training, marketing and events, and legacy booj customers. The method used to measure progress is over the passage of time for most streams of revenue. The following is a description of principal activities from which the Company generates its revenue.

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Continuing Franchise Fees

Revenue from continuing franchise fees consists of fixed contractual fees paid monthly by franchise owners and franchisees based on the number of RE/MAX agents in the respective franchised region or office and the number of Motto offices. This revenue is recognized in the month for which the fee is billed. This revenue is a usage-based royalty as it is dependent on the number of RE/MAX agents and number of Motto offices.

Annual Dues

Annual dues revenue consists of fixed contractual fees paid annually based on the number of RE/MAX agents. The Company defers the annual dues revenue when billed and recognizes the revenue ratably over the 12-month period to which it relates. Annual dues revenue is a usage-based royalty as it is dependent on the number of RE/MAX agents.

The activity in the Company's deferred revenue for annual dues is included in "Deferred revenue" and "Deferred revenue, net of current portion" on the Consolidated Balance Sheets, and consists of the following in aggregate (in thousands):

	Balance at beginning of period	New billings	Revenue recognized(a)	Balance at end of period
Year Ended December 31, 2018	\$ 15,297	\$ 36,474	\$ (35,894)	\$ 15,877

(a) Revenue recognized related to the beginning balance was \$14.0 million for the year ended December 31, 2018.

(b)

Broker Fees

Revenue from broker fees represents fees received from the Company's RE/MAX franchised regions or franchise offices that are based on a percentage of RE/MAX agents' gross commission income on home sale transactions. Revenue from broker fees is recognized as a sales-based royalty and recognized in the month when a home sale transaction occurs. Motto franchisees do not pay any fees based on the number or dollar value of loans brokered.

Franchise Sales

Franchise sales is comprised of revenue from the sale or renewal of franchises. An initial fee is charged upon a franchise sale. Those initial fees are deemed to be a part of the license of symbolic intellectual property and are recognized as revenue over the contractual term of the franchise agreement, which is typically 5 years for RE/MAX and 7 years for Motto franchise agreements. The activity in the Company's franchise sales deferred revenue accounts consists of the following (in thousands):

	Balance at beginning of period	New billings	Revenue recognized(a)	Balance at end of period
Year Ended December 31, 2018	\$ 27,943	\$ 8,732	\$ (9,115)	\$ 27,560

(a) Revenue recognized related to the beginning balance was \$7.4 million for the year ended December 31, 2018.

Commissions Related to Franchise Sales

Commissions paid on franchise sales are recognized as an asset and amortized over the contract life of the franchise agreement. The activity in the Company’s capitalized contract costs for commissions (which are included in “other current assets” and “other assets, net of current portion” on the Consolidated Balance Sheets) consist of the following (in thousands):

	Balance at beginning of period	Expense recognized	Additions to contract cost for new activity	Balance at end of period
Year Ended December 31, 2018	\$ 3,532	\$ (1,229)	\$ 1,445	\$ 3,748
Other Revenue				

Other revenue is primarily revenue from preferred marketing arrangements and event-based revenue from training and other programs. Revenue from preferred marketing arrangements involves both flat fees paid in advance as well as

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revenue sharing, both of which are generally recognized over the period of the arrangement and are recorded net as the Company does not control the good or service provided. Event-based revenue is recognized when the event occurs and until then is included in “Deferred revenue”. Other revenue also includes revenue from booj’s operations for its external customers as booj continues to provide technology products and services, such as websites, mobile apps, reporting and site tools, to its existing customers at the date of acquisition.

Selling, Operating and Administrative Expenses

Selling, operating and administrative expenses primarily consist of personnel costs, including salaries, benefits, payroll taxes and other compensation expenses, professional fees, rent and related facility operations expense, as well as expenses for marketing, and expanding and supporting the Company’s franchise.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and other highly liquid investments purchased with an original purchase maturity of three months or less.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, net of any allowances, including cash equivalents, accounts and notes receivable, accounts payable and accrued expenses approximate fair value due to their short-term nature.

Accounts and Notes Receivable

Accounts receivable arising from monthly billings do not bear interest. The Company provides limited financing of certain franchise sales through the issuance of notes receivable that either bear interest at a rate of prime plus 2% or at a stated amount, which is fixed at the inception of the note with the associated interest recorded in “Interest income” in the accompanying Consolidated Statements of Income. Amounts collected on notes receivable are included in “Net cash provided by operating activities” in the accompanying Consolidated Statements of Cash Flows.

The Company records allowances against its accounts and notes receivable balances for estimated probable losses. Increases and decreases in the allowance for doubtful accounts are established based upon changes in the credit quality of receivables and are included as a component of “Selling, operating and administrative expenses” in the accompanying Consolidated Statements of Income. The allowance for doubtful accounts and notes is based on historical experience, general economic conditions, and the attributes of specific accounts.

The activity in the Company’s allowances against accounts and notes receivable consists of the following (in thousands):

	Balance at beginning of period	Additions/charges to cost and expense for allowances for doubtful accounts	Deductions/write-offs	Balance at end of period
Year Ended December 31, 2018	\$ 7,223	\$ 2,257	\$ (1,500)	\$ 7,980
Year Ended December 31, 2017, as adjusted*	6,458	1,109	(344)	7,223

Year Ended December 31, 2016, as adjusted*	5,406	1,195	(143)	6,458
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*See Note 3, Revenue for more information.

Accumulated Other Comprehensive Income (Loss) and Foreign Currency Translation

Accumulated other comprehensive income (loss) includes all changes in equity during a period that have yet to be recognized in income, except those resulting from transactions with stockholders and is comprised of foreign currency translation adjustments.

As of December 31, 2018, the Company, directly and through its franchisees, conducted operations in over 110 countries and territories, including the U.S. and Canada. The functional currency for the Company's domestic operations is the

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U.S. dollar and for its Canadian subsidiary is the Canadian Dollar.

Assets and liabilities of the Canadian subsidiary are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of income and cash flows are translated at the average exchange rates in effect during the applicable period. Exchange rate fluctuations on translating consolidated foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded as a component of “Accumulated other comprehensive income,” and periodic changes are included in comprehensive income. When the Company sells a part or all of its investment in a foreign entity resulting in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, it releases any related cumulative translation adjustment into net income.

Foreign currency denominated monetary assets and liabilities and transactions occurring in currencies other than the Company’s or the Company’s consolidated foreign subsidiaries’ functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in the accompanying Consolidated Balance Sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in the accompanying Consolidated Statements of Income as “Foreign currency transaction (losses) gains.”

Property and Equipment

Property and equipment, including leasehold improvements, are initially recorded at cost. Depreciation is provided for on a straight-line method over the estimated useful lives of each asset class and commences when the property is placed in service. Amortization of leasehold improvements is provided for on a straight-line method over the estimated benefit period of the related assets or the lease term, if shorter.

Franchise Agreements and Other Intangible Assets

The Company’s franchise agreements result from franchise rights acquired from Independent Region acquisitions and are initially recorded at fair value. The Company amortizes the franchise agreements over their estimated useful life on a straight-line basis.

The Company also purchases and develops software for internal use. Software development costs and upgrade and enhancement costs incurred during the application development stage that result in additional functionality are capitalized. Costs incurred during the preliminary project and post-implementation-operation stages are expensed as incurred. Capitalized software costs are generally amortized over a term of three to five years. Purchased software licenses are amortized over their estimated useful lives.

In addition, the Company owns the principal trademarks, service marks and trade names that it uses in conjunction with operating its business. These intangible assets increase when the Company pays to file trademark applications in the U.S. and certain other jurisdictions globally. The Company’s trademarks are amortized on a straight-line basis over their estimated useful lives.

The Company reviews its franchise agreements and other intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated from such asset. If not recoverable, the excess of the carrying amount of an asset over its estimated discounted cash flows would be charged to operations as an

impairment loss. For each of the years ended December 31, 2018, 2017 and 2016, there were no material impairments indicated for such assets.

Goodwill

Goodwill is an asset representing the future economic benefits arising from the other assets acquired in a business combination that are not individually identified and separately recognized. The Company assesses goodwill for impairment at least annually or whenever an event occurs, or circumstances change that would indicate impairment may have occurred at the reporting unit level. Reporting units are driven by the level at which segment management reviews operating results. The Company previously performed its required impairment testing annually on August 31. In 2018,

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the Company elected to change the date of its required annual impairment testing to October 1. This change in method of applying an accounting principal resulted in the Company performing two annual impairment tests in 2018, on August 31 and October 1. The Company elected to implement this change to better align with its budget and planning process.

The Company's impairment assessment begins with a qualitative assessment to determine if it is more likely than not that a reporting unit's fair value is less than the carrying amount. The initial qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results as well as other factors which might indicate that the reporting unit's value has declined since the last assessment date. If it is determined in the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the standard two-step quantitative impairment test is performed. The first step of the quantitative impairment test consists of comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, then it is not considered impaired and no further analysis is required. If the first step of the quantitative impairment test indicates that the estimated fair value of a reporting unit is less than its carrying value, then impairment potentially exists, and the second step of the quantitative impairment test is performed to measure the amount of goodwill impairment. Goodwill impairment exists when the estimated implied fair value of a reporting unit's goodwill is less than its carrying value.

The Company did not record any goodwill impairments during the years ended December 31, 2018, 2017 and 2016.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Management periodically assesses the recoverability of its deferred tax assets based upon expected future earnings, future deductibility of the asset and changes in applicable tax laws and other factors. If management determines that it is not probable that the deferred tax asset will be fully recoverable in the future, a valuation allowance may be established for the difference between the asset balance and the amount expected to be recoverable in the future. The allowance will result in a charge to the Company's Consolidated Statements of Income. Further, the Company records its income taxes receivable and payable based upon its estimated income tax liability.

RMCO complies with the requirements of the Internal Revenue Code that are applicable to limited liability companies that have elected to be treated as partnerships, which allow for the complete pass-through of taxable income or losses to RMCO's unitholders, who are individually responsible for any federal tax consequences. Provision for Income Taxes includes the federal income tax obligation related to RE/MAX Holdings' allocated portion of RMCO's income. RMCO is subject to certain state and local taxes, and its global subsidiaries are subject to tax in certain jurisdictions.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Equity-Based Compensation

The Company recognizes compensation expense associated with equity-based compensation as a component of "Selling, operating and administrative expenses" in the accompanying Consolidated Statements of Income. All equity-based compensation is required to be measured at fair value on the grant date, is expensed over the requisite

service, generally over a three-year period, and forfeitures are accounted for as they occur. The Company recognizes compensation expense on awards on a straight-line basis over the requisite service period for the entire award. Refer to Note 13, Equity-Based Compensation for additional discussion regarding details of the Company's equity-based compensation plans.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies when transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 became effective prospectively for the Company on January 1, 2018. The Company concluded that the acquisition of booj meets the

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definition of a business. See Note 6, Acquisitions for additional information. The Company has also concluded that it expects future Independent Region acquisitions to be accounted for as an acquisition of a business.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies classification for certain cash receipts and cash payments on the Consolidated Statement of Cash Flows. ASU 2016-15 became effective for the Company on January 1, 2018 and required a retrospective transition method for each period presented. Under the new guidance, the contingent consideration payments related to the purchase of Full House Mortgage Connection, Inc. (“Full House”), a franchisor of mortgage brokerages that created concepts used to develop Motto, are classified as financing outflows up to the \$6.3 million acquisition date fair value and any cash payments paid in excess of the acquisition date fair value are classified as operating outflows. See Note 6, Acquisitions for additional information. The adoption of this standard had no other material impact on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), with several subsequent amendments, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP when it became effective for the Company on January 1, 2018. See Note 3, Revenue for more information.

New Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which clarifies that implementation costs incurred by customers in cloud computing arrangements are deferred if they would be capitalized by customers in the software licensing arrangements under the internal-use software guidance. ASU 2018-15 also clarifies that any capitalized costs should not be recorded to “Depreciation and amortization” in the Consolidated Statements of Income for costs after adoption. ASU 2018-15 is effective for the Company beginning January 1, 2020 and provides for the alternative to adopt the ASU (a) prospectively only for new costs incurred after the adoption date or (b) by adjusting existing costs to comply with this standard, including the requirement to present the amortization of costs outside “Depreciation and amortization”. The Company plans to adopt this ASU prospectively to all new implementation costs incurred after adoption. Given this implementation approach, the adoption of the standard on January 1, 2020 will have no immediate impact.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), which eliminates certain disclosure requirements for fair value measurements and requires new or modified disclosures. ASU 2018-13 is effective for the Company beginning January 1, 2020; early adoption is permitted. Certain changes are applied retrospectively to each period presented and others are to be applied either in the period of adoption or prospectively. The Company believes the amendments of ASU 2018-13 will not have a significant impact on the Company’s financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220), which adjusts the classification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. ASU 2018-02 is effective for the Company beginning January 1, 2019. The standard is to be applied either in the period of adoption or retrospectively to each period effected by the Tax Cuts and Jobs Act. The Company believes the amendments of ASU 2018-02 will not have a significant impact on the Company’s financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350), which simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. ASU 2017-04 is effective for annual and interim impairment tests beginning January 1, 2020 for the Company and is required to be adopted using a prospective approach. Early adoption is allowed. The Company has not yet adopted ASU 2017-04.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities that arise from all leases on the consolidated balance sheets. ASU 2016-02 is required to be adopted by the Company on January 1, 2019. The Company plans to elect the transition package of three practical expedients permitted within the standard, which among other things, allows the carryforward of historical lease classifications. The Company will not retrospectively recast prior periods presented and will instead adjust assets and liabilities on January 1, 2019.

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The Company has determined that the adoption of this standard will increase both “Total assets” and “Total liabilities” on the Consolidated Balance Sheets by approximately \$54.0 million, primarily related to building leases. The Company does not expect any material change to the Consolidated Statements of Income in 2019.

3. Impacts of Adopting New Revenue Recognition

Changes in Revenue Recognition Policies

The Company adopted the new revenue standard (Topic 606) on January 1, 2018. The Company applied the new revenue standard retrospectively and has recast the 2017 and 2016 financial statements as though the new revenue standard had been applied in all periods presented. The adoption of the new guidance changed the timing of recognition of franchise sales and franchise renewal revenue and related commissions paid on franchise sales and renewals, as discussed below.

Franchise sales is comprised of revenue from the sale or renewal of franchises. The Company previously recognized revenue at the time of sale. Under the new revenue standard, the franchise sale initial fees are considered to be a part of the license of symbolic intellectual property, which is now recognized over the contractual term of the franchise agreement, which is typically 5 years for RE/MAX and 7 years for Motto franchise agreements. Correspondingly, the commissions related to franchise sales are recorded as an asset (the current portion in “Other current assets” and long-term portion in “Other assets, net of current portion”) and are recognized over the contractual term of the franchise agreement in “Selling, operating and administrative expenses”. Previously, such commissions were expensed as incurred.

The following tables summarize the impacts of the new revenue standard adoption on the Company’s financial statements (in thousands, except per share information):

Consolidated Balance Sheet

	Impact of Changes in Accounting Policies		
	As of December 31, 2017		
	As previously reported	Adjustments	As adjusted
Accounts and notes receivable, current portion, net	\$ 21,304	\$ (1,020)	\$ 20,284
Income taxes receivable	870	93	963
Other current assets	6,924	1,050	7,974
Deferred tax assets, net	59,151	3,690	62,841
Other assets, net of current portion	1,563	2,460	4,023
Income taxes payable	133	(36)	97
Deferred revenue	18,918	6,350	25,268
Deferred revenue, net of current	—	20,228	20,228
Retained earnings	16,027	(7,627)	8,400
Accumulated other comprehensive income, net of tax	515	(56)	459
Non-controlling interest	398,348	12,586	410,934

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Consolidated Statement of Income

	Impact of Changes in Accounting Policies Year Ended December 31, 2017		
	As previously		
	reported	Adjustments	As adjusted
Franchise sales and other revenue	\$ 24,667	\$ (2,215)	\$ 22,452
Selling, operating and administrative expenses	107,268	(322)	106,946
Provision for income taxes (a)	55,576	1,471	57,047
Net income (a)	35,179	(3,364)	31,815
Net income attributable to non-controlling interest	22,364	(787)	21,577
Net income attributable to RE/MAX Holdings, Inc.	12,815	(2,577)	10,238
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock:			
Basic	0.72	(0.14)	0.58
Diluted	0.72	(0.14)	0.58

(a) Includes an adjustment in 2017 to the deferred tax asset arising from deferred revenue under Topic 606 due to the drop in the U.S. tax rates from 35% to 21% under the Tax Cuts and Jobs Act.

	Impact of Changes in Accounting Policies Year Ended December 31, 2016		
	As previously		
	reported	Adjustments	As adjusted
Franchise sales and other revenue	\$ 25,131	\$ (660)	\$ 24,471
Selling, operating and administrative expenses	88,213	(176)	88,037
Provision for income taxes	15,273	(106)	15,167
Net income	47,226	(378)	46,848
Net income attributable to non-controlling interest	24,830	(203)	24,627
Net income attributable to RE/MAX Holdings, Inc.	22,396	(175)	22,221
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock:			
Basic	1.27	(0.01)	1.26
Diluted	1.27	(0.01)	1.26

Consolidated Statement of Comprehensive Income

	Impact of Changes in Accounting Policies Year Ended December 31, 2017		
	As previously		
	reported	Adjustments	As adjusted
Net income	\$ 35,179	\$ (3,364)	\$ 31,815
Change in cumulative translation adjustment	1,074	(37)	1,037
Comprehensive income	36,253	(3,401)	32,852
Comprehensive income attributable to non-controlling interest	22,895	(787)	22,108
	13,358	(2,614)	10,744

Comprehensive income attributable to RE/MAX Holdings, Inc., net
of tax

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	Impact of Changes in Accounting Policies Year Ended December 31, 2016		
	As previously		
	reported	Adjustments	As adjusted
Net income	\$ 47,226	\$ (378)	\$ 46,848
Change in cumulative translation adjustment	165	(19)	146
Comprehensive income	47,391	(397)	46,994
Comprehensive income attributable to non-controlling interest	24,918	(203)	24,715
Comprehensive income attributable to RE/MAX Holdings, Inc., net of tax	22,473	(194)	22,279
Consolidated Statement of Cash Flows			

	Impact of Changes in Accounting Policies Year Ended December 31, 2017		
	As previously		
	reported	Adjustments	As adjusted
Net income	\$ 35,179	\$ (3,364)	\$ 31,815
Deferred income tax expense	46,494	1,471	47,965
Accounts and notes receivable, current portion	(2,924)	99	(2,825)
Other current and noncurrent assets	(2,414)	(310)	(2,724)
Other current and noncurrent liabilities	1,583	1,232	2,815
Deferred revenue and deposits, current portion	2,610	872	3,482

	Impact of Changes in Accounting Policies Year Ended December 31, 2016		
	As previously		
	reported	Adjustments	As adjusted
Net income	\$ 47,226	\$ (378)	\$ 46,848
Deferred income tax expense	3,473	(106)	3,367
Other current and noncurrent assets	362	(176)	186
Other current and noncurrent liabilities	(2,616)	660	(1,956)
Disaggregated Revenue			

In the following table, segment revenue is disaggregated by geographical area for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
		As adjusted*	As adjusted*
U.S.	\$ 170,496	\$ 160,537	\$ 145,488
Canada	23,771	23,189	22,071

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Global	10,237	9,431	8,079
Total RE/MAX Franchising	204,504	193,157	175,638
Other	8,122	557	4
Total	\$ 212,626	\$ 193,714	\$ 175,642

*See above within Note 3, Revenue for more information.

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In the following table, segment revenue is disaggregated by Company-owned or Independent Regions in the U.S. and Canada for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
		As adjusted*	As adjusted*
Company-owned Regions	\$ 133,925	\$ 125,092	\$ 103,756
Independent Regions	46,289	44,799	47,498
Global and Other	24,290	23,266	24,384
Total RE/MAX Franchising	204,504	193,157	175,638
Other	8,122	557	4
Total	\$ 212,626	\$ 193,714	\$ 175,642

*See above within Note 3, Revenue for more information.

Transaction Price Allocated to the Remaining Performance Obligations

The following table includes estimated revenue by year, excluding certain other immaterial items, expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Annual dues	\$ 15,877	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,877
Franchise sales	7,415	6,116	4,706	3,171	1,652	4,500	27,560
Total	\$ 23,292	\$ 6,116	\$ 4,706	\$ 3,171	\$ 1,652	\$ 4,500	\$ 43,437

Using the transition requirements of the new standard, the Company has elected not to disclose the amount of the transaction price allocated to the remaining performance obligations or when the Company expects to recognize that amount as revenue for the years ended December 31, 2017 and 2016.

4. Non-controlling Interest

RE/MAX Holdings is the sole managing member of RMCO and operates and controls all of the business affairs of RMCO. The ownership of the common units in RMCO is summarized as follows:

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	As of December 31,		2017			
	2018	Ownership	Shares	Ownership		
	Shares	%	Shares	%		
Non-controlling interest ownership of common units in RMCO	12,559,600	41.43	%	12,559,600	41.51	%
RE/MAX Holdings, Inc. outstanding Class A common stock (equal to RE/MAX Holdings, Inc.)	17,754,416	58.57	%	17,696,991	58.49	%

common units in RMCO)

Total common units in RMCO	30,314,016	100.00	%	30,256,591	100.00	%
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The weighted average ownership percentages for the applicable reporting periods are used to calculate the net income attributable to RE/MAX Holdings. A reconciliation of “Income before provision for income taxes” to “Net income attributable to RE/MAX Holdings, Inc.” and “Net Income attributable to non-controlling interest” in the accompanying Consolidated Statements of Income for the periods indicated is detailed as follows (in thousands, except percentages):

	Year Ended December 31,						2017		2016						
	2018			2017			As adjusted*		As adjusted*						
	RE/MAX Holdings, Inc.	Non-controlling interest	Total	RE/MAX Holdings, Inc.	Non-controlling interest	Total	RE/MAX Holdings, Inc.	Non-controlling interest	Total	RE/MAX Holdings, Inc.	Non-controlling interest	Total			
Weighted average ownership percentage of RMCO (a)	58.55	%	41.45	%	100.00	%	58.48	%	41.52	%	100.00	%	58.40	%	41.60
Income before provision for income taxes	\$ 41,238		\$ 24,926		\$ 66,164		\$ 65,493		\$ 23,369		\$ 88,862		\$ 36,165		\$ 25,850
Provision for income taxes (b)(c)	(14,194)		(1,605)		(15,799)		(55,255)		(1,792)		(57,047)		(13,944)		(1,223)
Net income	\$ 27,044		\$ 23,321		\$ 50,365		\$ 10,238		\$ 21,577		\$ 31,815		\$ 22,221		\$ 24,627

*See Note 3, Revenue for more information.

- (a) The weighted average ownership percentage of RMCO differs from the allocation of income before provision for income taxes between RE/MAX Holdings and the non-controlling interest due to (a) certain relatively insignificant expenses and (b) the significant gain on reduction in TRA liability in 2018 and 2017 attributable only to RE/MAX Holdings. See Note 12, Income Taxes for additional information.
- (b) The provision for income taxes attributable to RE/MAX Holdings is primarily comprised of U.S. federal and state income taxes on its proportionate share of the pass-through income from RMCO. It also includes RE/MAX Holdings' share of taxes directly incurred by RMCO and its subsidiaries, related primarily to tax liabilities in certain foreign jurisdictions. In 2018 and 2017, the provision for income taxes attributable to RE/MAX Holdings also includes a significant decrease in the value of deferred tax assets. See Note 12, Income Taxes for additional information.
- (c) The provision for income taxes attributable to the non-controlling interest represents its share of taxes related primarily to tax liabilities in certain foreign jurisdictions directly incurred by RMCO or its subsidiaries. Because RMCO is a pass-through entity there is no U.S. federal and state income tax provision recorded on the non-controlling interest.

Distributions and Other Payments to Non-controlling Unitholders

Under the terms of RMCO's limited liability company operating agreement, RMCO makes cash distributions to non-controlling unitholders on a pro-rata basis. The distributions paid or payable to non-controlling unitholders are summarized as follows (in thousands):

	Year Ended December 31,	
	2018	2017
Tax and other distributions	\$ 4,511	\$ 8,217
Dividend distributions	10,048	9,043
Total distributions to non-controlling unitholders	\$ 14,559	\$ 17,260

On February 20, 2019, the Company declared a distribution to non-controlling unitholders of \$2.6 million, which is payable on March 20, 2019.

RE/MAX Holdings Ownership of RMCO and Tax Receivable Agreements

RE/MAX Holdings has twice acquired significant portions of the ownership in RMCO; first in October 2013 at the time of IPO when RE/MAX Holdings acquired its initial 11.5 million common units of RMCO and, second, in November and December 2015 when it acquired 5.2 million additional common units. RE/MAX Holdings sold Class A common stock, which it exchanged for these common units of RMCO. RIHI then sold the Class A common stock to the market.

When RE/MAX Holdings acquired common units in RMCO, it received a step-up in tax basis on the underlying assets held by RMCO. The step-up is principally equivalent to the difference between (1) the fair value of the underlying assets on the date of acquisition of the common units and (2) their tax basis in RMCO, multiplied by the percentage of units acquired. The majority of the step-up in basis relates to intangibles assets, primarily franchise agreements and goodwill,

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and the step-up is often substantial. These assets are amortizable under IRS rules and result in deductions on the Company's tax return for many years and consequently, RE/MAX Holdings receives a future tax benefit. These future benefits are reflected within deferred tax assets of approximately \$53.7 million on the Company's consolidated balance sheets as of December 31, 2018.

If RE/MAX Holdings acquires additional common units of RMCO from RIHI, the percentage of RE/MAX Holdings' ownership of RMCO will increase, and additional deferred tax assets will be created as additional tax basis step-ups occur.

In connection with the initial sale of RMCO common units in October 2013, RE/MAX Holdings entered into Tax Receivable Agreements ("TRAs") which require that RE/MAX Holdings make annual payments to the TRA holders equivalent to 85% of any tax benefits realized on each year's tax return from the additional tax deductions arising from the step-up in tax basis. The TRA holders as of December 31, 2018 are RIHI and Parallaxes Rain Co-Investment, LLC ("Parallaxes"). TRA liabilities were established for the future cash obligations expected to be paid under the TRAs and are not discounted. As of December 31, 2018, this liability was \$40.8 million and was recorded within "Current portion of payable pursuant to tax receivable agreements" and "Payable pursuant to tax receivable agreement" in the Consolidated Balance Sheets. Similar to the deferred tax assets, the TRA liabilities would increase if RE/MAX Holdings acquires additional common units of RMCO from RIHI.

Both deferred tax assets and TRA liability were substantially reduced by the Tax Cuts and Jobs Act enacted in December 2017. The reduction in the corporate tax rate from 35% to 21% resulted in comparable reductions in both the deferred tax asset amounts and the TRA liabilities. The deferred tax assets and TRA liabilities were further reduced in 2018 as a result of the foreign tax provisions contained in the Tax Cuts and Jobs Act. See Note 12, Income Taxes for further information on the impact of the Tax Cuts and Jobs Act.

5. Earnings Per Share and Dividends

Earnings Per Share

Basic earnings per share ("EPS") measures the performance of an entity over the reporting period. Diluted EPS measures the performance of an entity over the reporting period while giving effect to all potentially dilutive common shares that were outstanding during the period. The treasury stock method is used to determine the dilutive effect of time-based restricted stock units. The dilutive effect of performance-based restricted stock units are measured using the guidance for contingently issuable shares.

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The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS calculations (in thousands, except shares and per share information):

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Numerator			
Net income attributable to RE/MAX Holdings, Inc.	\$ 27,044	\$ 10,238	\$ 22,221
Denominator for basic net income per share of Class A common stock			
Weighted average shares of Class A common stock outstanding	17,737,649	17,688,533	17,628,741
Denominator for diluted net income per share of Class A common stock			
Weighted average shares of Class A common stock outstanding	17,737,649	17,688,533	17,628,741
Add dilutive effect of the following:			
Stock options	—	—	5,059
Restricted stock units	29,850	43,267	43,968
Weighted average shares of Class A common stock outstanding, diluted	17,767,499	17,731,800	17,677,768
Earnings per share of Class A common stock			
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock, basic	\$ 1.52	\$ 0.58	\$ 1.26
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock, diluted	\$ 1.52	\$ 0.58	\$ 1.26

*See Note 3, Revenue for more information.

Outstanding Class B common stock does not share in the earnings of RE/MAX Holdings and is therefore not a participating security. Accordingly, basic and diluted net income per share of Class B common stock has not been presented.

Dividends

Dividends declared and paid quarterly per share on all outstanding shares of Class A common stock were as follows (in thousands, except share and per share information):

	Year Ended December 31,		2017		2016	
	2018	Per share	Date paid	Per share	Date paid	Per share
Dividend declared during quarter ended:						
March 31	March 21, 2018	\$ 0.20	March 22, 2017	\$ 0.18	March 23, 2016	\$ 0.15

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June 30	May 30, 2018	0.20	May 31, 2017	0.18	June 2, 2016	0.15
September 30	August 29, 2018	0.20	August 30, 2017	0.18	August 31, 2016	0.15
December 31	November 28, 2018	0.20	November 29, 2017	0.18	December 1, 2016	0.15
		\$ 0.80		\$ 0.72		\$ 0.60

On February 20, 2019, the Company's Board of Directors declared a quarterly dividend of \$0.21 per share on all outstanding shares of Class A common stock, which is payable on March 20, 2019 to stockholders of record at the close of business on March 6, 2019.

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6. Acquisitions

Booj, LLC

On February 26, 2018, RE/MAX, LLC acquired all membership interests in booj using \$26.3 million in cash generated from operations, plus up to approximately \$10.0 million in equity-based compensation to be earned over time, which will be accounted for as compensation expense in the future (see Note 13, Equity-Based Compensation for additional information). RE/MAX, LLC acquired booj to deliver core technology solutions designed for and with RE/MAX affiliates.

The following table summarizes the Company's allocation of the purchase price to the fair value of assets acquired and liabilities assumed (in thousands):

	booj
Cash	\$ 362
Other current assets	367
Property and equipment	625
Software	7,400
Trademarks	500
Non-compete agreement	1,200
Customer relationships	800
Other intangible assets	1,589
Other assets, net of current portion	336
Total assets acquired, excluding goodwill	13,179
Current portion of debt	(606)
Other current liabilities	(557)
Debt, net of current portion	(805)
Total liabilities assumed	(1,968)
Goodwill	15,039
Total purchase price	\$ 26,250
Acquisition-related costs	\$ 846
Revenue since acquisition date	\$ 5,586

The Company finalized its accounting for the acquisition of booj during the year ended December 31, 2018. Booj constitutes a business and was accounted for using the fair value acquisition method. The total purchase price was allocated to the assets acquired based on their estimated fair values. The largest intangible assets acquired were valued using an income approach which utilizes Level 3 inputs and are being amortized over a weighted-average useful life using the straight-line method. The excess of the total purchase price over the fair value of the identifiable assets acquired was recorded as goodwill. The goodwill is attributable to expected synergies and projected long-term revenue growth for the RE/MAX network. All of the goodwill recognized is tax deductible.

Independent Region Acquisitions

RE/MAX, LLC has acquired certain key assets of several Independent Regions, including the franchise agreements issued by the Company permitting the sale of RE/MAX franchises in the corresponding regions as well as the franchise agreements between those Independent Regions and the franchisees. RE/MAX, LLC acquired these assets in order to expand its owned and operated regional franchising operations. Details of these acquisitions are outlined in

the tables below.

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The Company funded RE/MAX of Georgia, Inc., RE/MAX of Kentucky/Tennessee, Inc., and RE/MAX of Southern Ohio, Inc. (collectively “RE/MAX Regional Services”) by refinancing its 2013 Senior Secured Credit Facility (See Note 10, Debt) and using cash from operations. The Company used cash generated from operations to fund all other Independent Region acquisitions.

	RE/MAX of Northern Illinois, Inc.	RE/MAX Regional Services	RE/MAX of New Jersey, Inc.	RE/MAX of Alaska, Inc.	RE/MAX of New York, Inc.
Acquisition date	November 15, 2017	December 15, 2016	December 1, 2016	April 1, 2016	February 22, 2016
Cash consideration (in thousands)	\$ 35,720	\$ 50,400	\$ 45,000	\$ 1,500	\$ 8,500
Status of accounting for the business combination	Final as of December 31, 2018 (a)	Final as of December 31, 2017	Final as of December 31, 2017	Final as of December 31, 2016	Final as of December 31, 2016

(a) In finalizing the accounting for this acquisition, adjustments were made during the year ended December 31, 2018 to the Consolidated Balance Sheet to decrease “Franchise agreements, net” by \$0.7 million with a corresponding increase to “Goodwill”.

The franchise agreements acquired were valued using an income approach which utilizes Level 3 inputs and are being amortized over a weighted-average useful life using the straight-line method.

Full House Mortgage Connection, Inc.

Motto Franchising, LLC (“Motto Franchising”), a wholly-owned subsidiary of RE/MAX, LLC, was formed and developed to franchise mortgage brokerages. On September 12, 2016, Motto Franchising acquired certain assets of Full House Mortgage Connection, Inc. (“Full House”), a franchisor of mortgage brokerages that created concepts used to develop Motto, for initial cash consideration of \$8.0 million. Motto Franchising, as a franchisor, grants each franchisee a license to use the Motto Mortgage brand, trademark, promotional and operating materials and concepts. The Company used cash generated from operations to initially fund the acquisition. Additional cash consideration may be required based on future revenues generated. The contingent purchase consideration and its subsequent valuation is more fully described in Note 11, Fair Value Measurements.

The following table summarizes the estimated consideration transferred at the acquisition (in thousands):

Cash consideration	\$ 8,000
Contingent purchase consideration (note 11)	6,300
Total purchase price	\$ 14,300

The following table summarizes the allocation of the purchase price to the fair value of assets acquired for the acquisitions occurring in 2017 and 2016 (in thousands):

	RE/MAX of Northern Illinois	RE/MAX Regional Services	RE/MAX of New Jersey	Full House	RE/MAX of Alaska	RE/MAX of New York	Total
Cash and cash equivalents	\$ -	\$ -	\$ 335	\$ -	\$ -	\$ 131	\$ 466
Franchise agreements	22,800	30,700	29,700	-	529	5,000	88,729
Non-compete agreement	-	-	-	2,500	-	-	2,500
Other assets	-	-	-	-	-	340	340
Goodwill	12,920	19,700	15,300	11,800	971	3,029	63,720
Other liabilities	-	-	(335)	-	-	-	(335)
Total purchase price	\$ 35,720	\$ 50,400	\$ 45,000	\$ 14,300	\$ 1,500	\$ 8,500	\$ 155,420

Each of these constitute a business and were accounted for using the fair value acquisition method. The total purchase price for all acquisitions was allocated to the assets acquired based on their estimated fair values. The largest intangible assets acquired were valued using an income approach which utilizes Level 3 inputs and are being amortized over a weighted-average useful life using the straight-line method. The excess of the total purchase price over the estimated fair value of the identifiable assets acquired was recorded as goodwill. The goodwill recognized for all acquisitions is

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attributable to expected synergies and projected long-term revenue growth. All of the goodwill recognized is tax deductible.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if the acquisition of booj had occurred on January 1, 2017, the acquisition of RE/MAX of Northern Illinois had occurred on January 1, 2016 and the acquisitions of RE/MAX Regional Services, RE/MAX of New Jersey, RE/MAX of Alaska and RE/MAX of New York had occurred on January 1, 2015. The historical financial information has been adjusted to give effect to events that are (1) directly attributed to the acquisitions, (2) factually supportable and (3) expected to have a continuing impact on the combined results, including additional amortization expense associated with the valuation of the acquired franchise agreements. This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share amounts)		
Total revenue	\$ 213,892	\$ 205,059	\$ 192,734
Net income attributable to RE/MAX Holdings, Inc. (a)	\$ 26,352	\$ 7,628	\$ 24,929
Basic earnings per common share	\$ 1.49	\$ 0.43	\$ 1.41
Diluted earnings per common share	\$ 1.48	\$ 0.43	\$ 1.41

7. Property and Equipment

Property and equipment consist of the following (in thousands):

	Depreciable Life	As of December 31,	
		2018	2017
Leasehold improvements	Shorter of estimated useful life or life of lease	\$ 3,278	\$ 3,227
Office furniture, fixtures and equipment	2 - 10 years	14,392	12,004
Total property and equipment		17,670	15,231
Less accumulated depreciation		(13,280)	(12,326)
Total property and equipment, net		\$ 4,390	\$ 2,905

Depreciation expense was \$1.2 million, \$0.9 million and \$0.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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8. Intangible Assets and Goodwill

The following table provides the components of the Company's intangible assets (in thousands, except weighted average amortization period in years):

	Weighted Average Amortization Period	As of December 31, 2018			As of December 31, 2017		
		Initial Cost	Accumulated Amortization	Net Balance	Initial Cost	Accumulated Amortization	Net Balance
Franchise agreements	12.5	\$ 180,867	\$ (77,710)	\$ 103,157	\$ 181,567	\$ (62,218)	\$ 119,349
Other intangible assets:							
Software (a)	4.4	\$ 20,579	\$ (5,802)	\$ 14,777	\$ 13,762	\$ (8,111)	\$ 5,651
Trademarks	9.3	1,857	(839)	1,018	1,539	(902)	637
Non-compete Training materials	7.7	3,700	(896)	2,804	2,500	(312)	2,188
Other (b)	5.0	2,350	(157)	2,193	—	—	—
Total other intangible assets	11.9	2,389	(216)	2,173	—	—	—
	5.8	\$ 30,875	\$ (7,910)	\$ 22,965	\$ 17,801	\$ (9,325)	\$ 8,476

(a) As of December 31, 2018, and December 31, 2017, capitalized software development costs of \$4.5 million and \$0.6 million, respectively, were related to technology projects not yet complete and ready for their intended use and thus were not subject to amortization.

(b) "Other" consists of customer relationships and a favorable market lease, both obtained in connection with the acquisition of booj. The favorable market lease is amortized as additional rent expense through "Selling, operating and administrative expenses" in the accompanying Consolidated Statements of Income over the remaining term of the lease.

Amortization expense was \$19.5 million, \$19.6 million and \$15.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018, the estimated future amortization expense for the next five years related to intangible assets includes the estimated amortization expense associated with the Company's intangible assets assumed with the acquisition of booj and is as follows (in thousands):

Year ending December 31:	
2019	\$ 20,524
2020	20,591
2021	19,820
2022	16,967

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2023

13,799

\$ 91,701

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The following table presents changes to goodwill for the period from January 1, 2017 to December 31, 2018 (in thousands):

	RE/MAX		
	Franchising	Other	Total
Balance, January 1, 2017	\$ 114,833	\$ 11,800	\$ 126,633
Goodwill recognized related to acquisitions	12,220	—	12,220
Adjustments to acquisition accounting during the measurement period	(3,865)	—	(3,865)
Effect of changes in foreign currency exchange rates	225	—	225
Balance, December 31, 2017	123,413	11,800	135,213
Goodwill recognized related to current year acquisitions (a)	15,039	—	15,039
Adjustments to acquisition accounting during the measurement period	700	—	700
Effect of changes in foreign currency exchange rates	(268)	—	(268)
Balance, December 31, 2018	\$ 138,884	\$ 11,800	\$ 150,684

(a) The purpose of the booj acquisition is to develop and deliver core technology solutions designed for and with RE/MAX franchisees and agents. As such, the Company allocated the goodwill arising from this acquisition to RE/MAX Franchising. See Note 6, Acquisitions for additional information.

9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	As of December 31,	
	2018	2017
Accrued payroll and related employee costs	\$ 6,517	\$ 3,874
Accrued taxes	1,480	1,635
Accrued professional fees	2,010	2,339
Other (a)	3,136	7,542
	\$ 13,143	\$ 15,390

(a) Other accrued liabilities as of December 31, 2017 include a \$4.5 million payable in connection with the February 13, 2018 settlement, and subsequent payment, resulting from the litigation matter concerning the Company's 2013 acquisition of the net assets of Tails, Inc. ("Tails"), as discussed in Note 15, Commitments and Contingencies.

10. Debt

Debt, net of current portion, consists of the following (in thousands):

	As of December 31,	
	2018	2017

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2016 Senior Secured Credit Facility	\$ 229,713	\$ 232,063
Other long-term financing (a)	635	—
Less unamortized debt issuance costs	(1,481)	(1,780)
Less unamortized debt discount costs	(1,080)	(1,297)
Less current portion (a)	(2,622)	(2,350)
	\$ 225,165	\$ 226,636

(a) Includes financing assumed with the acquisition of booj. As of December 31, 2018, the carrying value of this financing approximates the fair value.

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Maturities of debt are as follows (in thousands):

Year Ending December 31:	
2019	\$ 2,622
2020	2,712
2021	2,350
2022	2,350
2023	220,314
	\$ 230,348

Senior Secured Credit Facility

On July 31, 2013, the Company entered into a new credit agreement with several lenders and administered by a bank, referred to herein as the “2013 Senior Secured Credit Facility.” The 2013 Senior Secured Credit Facility consisted of a \$230.0 million term loan facility and a \$10.0 million revolving loan facility.

On December 15, 2016, the 2013 Senior Secured Credit Facility was amended and restated, referred to herein as the “2016 Senior Secured Credit Facility.” The 2016 Senior Secured Credit Facility consists of a \$235.0 million term loan facility which matures on December 15, 2023 and a \$10.0 million revolving loan facility which must be repaid on December 15, 2021. The proceeds provided by the term loan were used to refinance and repay existing indebtedness and fund the acquisition of RE/MAX Regional Services. In connection with the 2016 Senior Secured Credit Facility, the Company incurred costs of \$3.5 million during the year ended December 31, 2016, of which \$1.4 million was recorded in “Debt, net of current portion” in the accompanying Consolidated Balance Sheets and is being amortized to interest expense over the term of the 2016 Senior Secured Credit Facility and the remaining \$2.1 million was expensed as incurred.

Borrowings under the term loans and revolving loans accrue interest, at our option on (a) LIBOR provided LIBOR shall be no less than 0.75% plus an applicable margin of 2.75% and, provided further, that LIBOR shall be adjusted for reserve requirements for eurocurrency liabilities, if any (the “Eurodollar Rate”) or (b) the greatest of (i) JPMorgan Chase Bank N.A.’s prime rate, (ii) the NYFRB Rate (as defined in the 2016 Senior Secured Credit Facility) plus 0.50% and (iii) the one-month Eurodollar Rate plus 1%, (such greatest rate, the “ABR”) plus, in each case, the applicable margin. The applicable margin for ABR loans is 1.75%.

The 2013 Senior Secured Credit Facility required RE/MAX, LLC to repay term loans with 50% of excess cash flow at the end of the applicable year if its total leverage ratio as defined therein was in excess of 2.50:1.00, with such percentage decreasing as RE/MAX, LLC’s leverage ratio decreased. Under the 2013 Senior Secured Credit Facility, the Company was required to make principal payments out of excess cash flow, as well as from the proceeds of certain asset sales, proceeds from the issuance of indebtedness and from insurance recoveries. The Company made an excess cash flow prepayment of \$12.7 million during the year ended December 31, 2016.

The 2016 Senior Secured Credit Facility requires RE/MAX, LLC to repay term loans and reduce revolving commitments with (i) 100.0% of proceeds of any incurrence of additional debt not permitted by the 2016 Senior Secured Credit Facility, (ii) 100.0% of proceeds of asset sales and 100.0% of amounts recovered under insurance policies, subject to certain exceptions and a reinvestment right and (iii) 50.0% of excess cash flow at the end of the applicable fiscal year if RE/MAX, LLC’s total leverage ratio as defined in the 2016 Senior Secured Credit Facility is in excess of 3.25:1.00, with such percentage decreasing to zero as RE/MAX, LLC’s leverage ratio decreases below 2.75 to 1.0. The Company’s total leverage ratio was less than 2.75 to 1.0 as of December 31, 2018, and as a result, the

Company does not expect to make an excess cash flow principal prepayment within the next 12-month period. The Company may make optional prepayments on the term loan facility at any time without penalty; however, no such optional prepayments were made during the year ended December 31, 2018.

Whenever amounts are drawn under the revolving line of credit, the 2016 Senior Secured Credit Facility requires compliance with a leverage ratio and an interest coverage ratio. A commitment fee of 0.5% per annum accrues on the amount of unutilized revolving line of credit. As of December 31, 2018, no amounts were drawn on the revolving line of credit. The Company received certain limited waivers and extensions related to its obligation to deliver timely financial information for the year ended December 31, 2017.

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11. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, the Company follows a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations, in which all significant inputs are observable in active markets. The fair value of the Company's debt reflects a Level 2 measurement and was estimated based on quoted prices for the Company's debt instruments in an inactive market.
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. Level 3 liabilities that are measured at fair value on a recurring basis consist of the Company's contingent consideration related to the acquisition of Full House.

A summary of the Company's liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017 is as follows (in thousands):

	As of December 31, 2018				As of December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Liabilities								
Contingent consideration	\$ 5,070	\$ -	\$ -	\$ 5,070	\$ 6,580	\$ -	\$ -	\$ 6,580

The Company is required to pay additional purchase consideration totaling eight percent of gross receipts collected by Motto each year (the "Revenue Share Year") beginning after September 30, 2017 and continuing through September 30, 2026, with no limitation as to the maximum payout. The annual payment to the former owner of Full House is required to be made within 120 days of the end of each Revenue Share Year. Each Revenue Share Year ends September 30. The fair value of the contingent purchase consideration represents the forecasted discounted cash payments that the Company expects to pay Full House with respect to the acquired business. Increases or decreases in the fair value of the contingent purchase consideration can result from changes in discount rates as well as the timing and amount of forecasted revenues. The forecasted revenue growth assumption that is most sensitive related to assumed franchise sales count for which the forecast assumes between 50 and 80 franchises sold annually. This assumption is based on historical sales and an assumption of growth over time. A 10% reduction in the number of franchise sales would decrease the liability by \$0.3 million. A 1% change to the discount rate applied to the forecast changes the liability by approximately \$0.3 million. The Company measures this liability each reporting period and recognizes changes in fair value, if any, in "Selling, operating and administrative expenses" in the accompanying Consolidated Statements of Income.

The table below presents a reconciliation of the contingent consideration from January 1, 2017 to December 31, 2018 (in thousands):

Balance at January 1, 2017	\$ 6,400
Fair value adjustments	180
Balance at December 31, 2017	6,580

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Fair value adjustments (a)	(1,289)
Cash payments (b)	(221)
Balance at December 31, 2018	\$ 5,070

(a) Fair value adjustments relate to realignment of future franchise sales assumptions to more closely reflect historical sales trends from inception to date.

(b) Cash payments include payments for Revenue Share Year 1 and Revenue Share Year 2 due to timing of payments.

The Company assesses categorization of assets and liabilities by level at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer.

There were no

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transfers between Levels I, II and III during the year ended December 31, 2018.

The following table summarizes the carrying value and estimated fair value of the Senior Secured Credit Facility as of December 31, 2018 and 2017 (in thousands):

	As of December 31, 2018			2017		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Senior Secured Credit Facility	\$ 227,152	\$ 221,673		\$ 228,986	\$ 232,933	

12. Income Taxes

“Income before provision for income taxes” as shown in the accompanying Consolidated Statements of Income is comprised of the following (in thousands):

	Year Ended December 31,		
	2018	2017 As Adjusted*	2016 As Adjusted*
Domestic	\$ 52,798	\$ 77,346	\$ 50,145
Foreign	13,366	11,516	11,870
Total	\$ 66,164	\$ 88,862	\$ 62,015

*See Note 3, Revenue for more information.

Components of the “Provision for income taxes” in the accompanying Consolidated Statements of Income consist of the following (in thousands):

	Year Ended December 31,		
	2018	2017 As Adjusted*	2016 As Adjusted*
Current			
Federal	\$ 1,730	\$ 3,568	\$ 8,002
Foreign	3,818	4,345	2,855
State and local	699	1,169	943
Total current expense	6,247	9,082	11,800
Deferred expense			
Federal	8,829	47,073	2,992
Foreign	12	323	137
State and local	711	569	238

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Total deferred expense	9,552	47,965	3,367
Provision for income taxes	\$ 15,799	\$ 57,047	\$ 15,167

*See Note 3, Revenue for more information.

The provision for income taxes attributable to RE/MAX Holdings includes all U.S. federal and state income taxes on RE/MAX Holdings' proportionate share of RMCO's net income. The provision for income taxes attributable to entities other than RE/MAX Holdings represents taxes imposed directly on RMCO and its subsidiaries, primarily foreign taxes that are allocated to the non-controlling interest.

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A reconciliation of the U.S. statutory income tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31,					
	2018		2017		2016	
			As	As	As	
	2018	Adjusted*	Adjusted*	Adjusted*	Adjusted*	
U.S. statutory tax rate	21.0 %	35.0 %	35.0 %	35.0 %	35.0 %	
Increase due to state and local taxes, net of federal benefit	3.1	2.6	2.6	2.6		
Non-creditable foreign taxes	1.2	-	-	-		
Foreign derived intangible income deduction	(1.3)	-	-	-		
Income attributable to non-controlling interests	(7.3)	(12.5)	(14.1)	(14.1)		
Other	(0.8)	(0.8)	1.0	1.0		
Subtotal	15.9	24.3	24.5	24.5		
Impact of TRA adjustment on NCI (a)	0.7	4.5	-	-		
Effect of permanent difference - TRA adjustment (b)	(2.2)	(13.6)	-	-		
Tax Reform Rate Change (c)	-	49.0	-	-		
Valuation allowance recognized on tax basis step-ups	9.5	-	-	-		
	23.9 %	64.2 %	24.5 %	24.5 %		

*See Note 3, Revenue for more information.

- (a) Reflects additional impact of non-controlling interest adjustment being on a larger base of income that includes the gain on reduction in TRA liability.
- (b) Reflects the impact of gain on TRA liability reduction, which is not taxable.
- (c) Reflects reduction in deferred tax assets and resulting increase in deferred tax expense due to U.S. Federal rate declining from 35% to 21%.

In December 2017, the Tax Cut and Jobs Act (the "TCJA") was enacted, which included a significant reduction in the U.S. corporate income tax rate from 35% to 21% along with several changes to taxation of foreign derived income. In 2017, the Company recorded a \$42.8 million charge to "Provision for income taxes" in the accompanying Consolidated Statements of Income for the reduction in the value of its deferred tax assets related to this tax rate change (reflected in the rate reconciliation table above as a 49.0% adjustment in 2017). Correspondingly, the TRA liabilities were reduced because of the rate change, resulting in a benefit to operating income of \$32.7 million. The net effect of these two adjustments was a reduction to 2017 net income of \$10.1 million. When the aforementioned adjustments were recorded in 2017, the Company was still evaluating several aspects of the TCJA, most notably around foreign derived income.

In 2018, the Company completed its evaluation of the impacts to its foreign derived income, particularly the tax credits received for foreign taxes and deductions allowed under the newly created foreign-derived intangible income deduction. The SEC staff issued Staff Accounting Bulletin 118, which provided all companies through December of 2018 to finalize provisional estimates of the impacts of the TCJA.

Starting with tax year 2018, the Company has foreign tax credit limitation due to the U.S. federal tax rate being lower than many foreign jurisdictions, particularly Canada. Certain of the tax basis step-ups, described in Note 4, Non-controlling interest, are related to intangible assets from the Company's Western Canada operations. The deductions expected to be taken from these tax basis step-ups are no longer expected to be realized by the Company due to now being subject to a foreign tax credit limitation. As a result, the Company recognized a \$6.3 million

valuation allowance against the related deferred tax assets and an increase in “Provision for income taxes” in the accompanying Consolidated Statements of Income (reflected in the rate reconciliation table above as a 9.5% adjustment in 2018). The loss in value of the step-up, along with other less significant changes, also reduced the value of the TRA liabilities, resulting in a \$6.1 benefit to operating income. The net impact of these items was insignificant to net income. In addition, the Company is now limited on the amount of foreign tax credit that can be claimed in its U.S. return.

The Company will continue to evaluate tax planning opportunities as well as monitor any changes that might be contained in the final regulations related to foreign derived income. Such final regulations are expected in 2019.

Income taxes receivable, net were \$0.3 million and \$0.9 million at December 31, 2018 and 2017, respectively.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the accompanying Consolidated Balance Sheets.

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These temporary differences result in taxable or deductible amounts in future years. Details of the Company's deferred tax assets and liabilities are summarized as follows (in thousands):

	As of December 31,	
	2018	2017
		As Adjusted*
Long-term deferred tax assets		
Goodwill, other intangibles and other assets	\$ 48,427	\$ 52,385
Imputed interest deduction pursuant to tax receivable agreements	2,719	3,052
Rent liabilities	1,845	1,878
Compensation and benefits	2,131	526
Allowance for doubtful accounts	944	834
Motto contingent liability	748	929
Deferred revenue	3,939	3,914
Foreign tax credit carryforward	1,259	—
Other	1,281	663
Total long-term deferred tax assets	63,293	64,181
Valuation allowance (a)	(7,051)	—
Total long-term deferred tax assets, net of valuation allowance	56,242	64,181
Long-term deferred tax liabilities		
Property and equipment and other long-lived assets	(2,944)	(1,491)
Total long-term deferred tax liabilities	(2,944)	(1,491)
Net long-term deferred tax assets	53,298	62,690
Total deferred tax assets and liabilities	\$ 53,298	\$ 62,690

*See Note 3, Revenue for more information.

(a) Includes a valuation allowance on deferred tax assets for goodwill and intangibles in the Company's Western Canada operations, as well as foreign tax credit carryforwards.

As of December 31, 2018, the Company generated \$1.3 million in unutilized foreign tax credits. These credits may be carried back one year and carried forward for 10 years until utilized. This amount is included in the valuation allowance as of December 31, 2018.

Net deferred tax assets are recorded related to differences between the financial reporting basis and the tax basis of RE/MAX Holdings' proportionate share of the net assets of RMCO. Based on the Company's historical taxable income and its expected future earnings, management evaluates the uncertainty associated with booking tax benefits and determines whether the deferred tax assets are more likely than not to be realized, including evaluation of deferred tax liabilities and the expectation of future taxable income. If not expected to be realized, a valuation allowance is recognized to offset the deferred tax asset.

The Company does not believe it has any significant uncertain tax positions. Accordingly, the Company did not record any material adjustments or recognize interest expense for uncertain tax positions for the years ended December 31, 2018, 2017 and 2016. In the future, if uncertain tax positions arise, interest and penalties will be accrued and included in the "Provision for income taxes" in the accompanying Consolidated Statements of Income.

The Company and its subsidiaries file, or will file, income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. RE/MAX Holdings will file its 2018 income tax returns by October 15, 2019. RMCO is not subject to domestic federal income taxes as it is a flow-through entity; however, RMCO is still required to file an annual U.S. Return of Partnership Income. With respect to state and local jurisdictions and countries outside of the U.S., the Company and its subsidiaries are typically subject to examination for three to four years after the income tax returns have been filed. As such, income tax returns filed since 2014 are subject to examination.

13. Equity-Based Compensation

The RE/MAX Holdings, Inc. 2013 Omnibus Incentive Plan (the “2013 Incentive Plan”) includes restricted stock units (“RSUs”) which may have time-based or performance-based vesting criteria. The Company recognizes equity-based compensation expense in “Selling, operating and administrative expenses” in the accompanying Consolidated

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Statements of Income. The Company recognizes corporate income tax benefits relating to the vesting of restricted stock units in "Provision for income taxes" in the accompanying Consolidated Statements of Income.

Employee stock-based compensation expense under the Company's 2013 Incentive Plan, net of the amount capitalized in internally developed software, is as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Expense from Time-based RSUs	\$ 5,110	\$ 2,523	\$ 2,330
Expense from Performance-based RSUs	4,066	377	-
Equity-based compensation expense	9,176	2,900	2,330
Tax benefit from equity-based compensation	(1,297)	(637)	(511)
Excess tax benefit from equity-based compensation	(145)	(324)	(261)
Net compensation cost	\$ 7,734	\$ 1,939	\$ 1,558
Time-based Restricted Stock Units			

Time-based RSUs are valued using the Company's closing stock price on the date of grant. Grants awarded to the Company's Board of Directors generally vest over a one-year period. Grants awarded to the Company's employees, other than booj employees and former owners in connection with the acquisition, generally vest equally in annual installments over a three-year period. Grants awarded to booj employees and former owners in connection with the acquisition vest in three installments over a four-year period. Compensation expense is recognized on a straight-line basis over the vesting period.

The following table summarizes equity-based compensation activity related to time-based RSUs for the year ended December 31, 2018:

	Time-based restricted stock units	Weighted average grant date fair value per share
Balance, January 1, 2018	105,862	\$ 41.67
Granted	271,941	\$ 53.04
Shares vested (including tax withholding)(a)	(70,650)	\$ 41.50
Forfeited	(8,543)	\$ 44.82
Balance, December 31, 2018	298,610	\$ 51.97

(a) Pursuant to the terms of the 2013 Incentive Plan, RSUs withheld by the Company for the payment of the employee's tax withholding related to an RSU vesting are added back to the pool of shares available for future awards.

The following table summarizes information about our RSU grants during the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016

Weighted average grant date fair value per RSU granted \$ 53.04 \$ 55.45 \$ 33.24

At December 31, 2018, there was \$11.1 million of total unrecognized time-based RSU expense, all of which is related to unvested awards. This compensation expense is expected to be recognized over the weighted-average remaining vesting period of 2.65 years for time-based restricted stock units.

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Performance-based Restricted Stock Units

Performance-based RSUs granted to employees, other than booj employees and former owners in connection with the acquisition, are stock-based awards in which the number of shares ultimately received depends on the Company's achievement of a specified revenue target as well as the Company's total shareholder return ("TSR") relative to a peer company index over a three-year performance period. If threshold vesting conditions are not met, no shares will vest. If threshold vesting conditions are met, the number of shares that could be issued range from 0% to 150% of the participant's target award. Performance-based RSUs are valued on the date of grant using a Monte Carlo simulation for the TSR element of the award. The Company's expense will be adjusted based on the estimated achievement of revenue versus target. Earned performance-based RSUs cliff-vest at the end of the three-year performance period. Compensation expense is recognized on a straight-line basis over the vesting period based on the Company's estimated performance, with cumulative to-date adjustments made when revenue performance expectations change.

Performance-based RSUs granted to booj employees and former owners in connection with the acquisition are stock-based awards in which the number of shares ultimately received depends on the achievement of certain technology milestones set forth in the related purchase agreement. The number of shares that could be issued range from 0% to 100% of the participant's target award. The awards were valued using the Company's closing stock price on the date of grant. The Company's expense will be adjusted based on the estimated achievement of the milestones. Earned performance-based RSUs vest May 31, 2019 and November 1, 2019 to the extent the corresponding milestones are achieved and provided the participant is still an employee of the Company at the time of vesting. Compensation expense is recognized on a straight-line basis over the vesting period based on the Company's estimated performance.

The following table summarizes equity-based compensation activity related to performance-based RSUs for year ended December 31, 2018:

	Performance-based restricted stock units	Weighted average grant date fair value per share
Balance, January 1, 2018	31,831	\$ 57.88
Granted (a)	156,694	\$ 55.38
Shares vested	(2,811)	\$ 56.59
Forfeited	(6,099)	\$ 57.06
Balance, December 31, 2018	179,615	\$ 55.75

(a) Represents the total participant target award.

At December 31, 2018, there was \$4.9 million of total unrecognized performance-based RSU expense, all of which is related to unvested awards. This compensation expense is expected to be recognized over the weighted-average remaining vesting period of 1.22 years for performance-based RSUs.

After giving effect to all outstanding awards (assuming maximum achievement of performance goals for performance-based awards), there were 2,285,200 additional shares available for the Company to grant under the 2013 Incentive Plan as of December 31, 2018.

14. Leadership Changes and the New Service Model

On February 9, 2018, the Company announced the retirement of the Company's President. The Company entered into a Separation Agreement with the President, and pursuant to the terms of this agreement, the Company incurred a total cost of \$1.8 million which was recorded to "Selling, operating and administrative expenses" in the accompanying Consolidated Statements of Income during the year ended December 31, 2018, which will be paid over a 39-month period.

In addition, the Company announced a new service model in early 2019 designed to deliver more value to franchisees, as well as support franchisee growth and professional development (the "New Service Model"). In connection with the New Service Model, the Company will incur a total of approximately \$2.1 million in expenses related to severance and outplacement services provided to certain former employees of the Company, of which \$1.4 million in expense was recognized during the year ended December 31, 2018. These expenses are included in "Selling, general and

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administrative expenses” in the accompanying Consolidated Statements of Income. All of the above costs were attributable to the RE/MAX Franchising reportable segment.

15. Commitments and Contingencies

Commitments

The Company leases offices and equipment under noncancelable leases, subject to certain provisions for renewal options and escalation clauses. Future minimum payments (including those allocated to an affiliate) under these leases and commitments, net of payments under sublease agreements, are as follows (in thousands):

	Rent Payments	Sublease Receipts	Total Cash Outflows
Year ending December 31:			
2019	\$ 9,402	\$ (1,087)	\$ 8,315
2020	9,601	(873)	8,728
2021	9,341	(775)	8,566
2022	9,011	(804)	8,207
2023	9,169	(827)	8,342
Thereafter	43,556	(1,382)	42,174
	\$ 90,080	\$ (5,748)	\$ 84,332

Minimum rent payments under noncancelable operating leases are recognized on a straight-line basis over the terms of the leases. Rent expense, excluding amounts related to gain or loss on sublease, was \$7.7 million, \$7.8 million and \$7.5 million for the years ended December 31, 2018, 2017 and 2016, respectively, net of amounts recorded under sublease agreements of \$1.3 million, \$1.0 million and \$1.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company leases its corporate headquarters office building (the “Master Lease”) under a lease expiring April 2028. The Company may, at its option, extend the Master Lease for two renewal periods of 10 years. Under the terms of the Master Lease, the Company pays an annual base rent, which escalates 3% each year. The Company pays for operating expenses in connection with the ownership, maintenance, operation, upkeep and repair of the leased space. The Company may assign or sublet an interest in the Master Lease only with the approval of the landlord.

There were no new subleases during the year ended December 31, 2018; however, the following subleases resulted in a gain (loss) on sublease during the year ended December 31, 2017:

Execution Date	End Date	2017 Gain (Loss) on Sublease (In millions)
May 2017	April 2028	\$ (0.2)
August 2017	January 2025	(3.7)
September 2017 (a)	August 2024	0.3

\$ (3.6)

(a) During the year ended December 31, 2013 the Company entered into a sublease agreement with a tenant and recognized a loss related to the subleased office space of \$1.2 million. In September 2017 the Company amended this sublease agreement and the existing liability was reduced, resulting in a net gain of \$0.3 million during the year ended December 31, 2017.

As of December 31, 2018, and 2017, the liability related to the aforementioned sublease agreements was approximately \$2.4 million and \$3.9 million, respectively, and is included in “Other liabilities, net of current portion” in the accompanying Consolidated Balance Sheets.

Additionally, the Company acquired an office lease in connection with the acquisition of booj. Future lease payments related to the booj office lease are approximately \$0.2 million per year for the next five years with payments thereafter totaling approximately \$2.0 million.

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Contingencies

In connection with the Purchase of Full House, as described in Note 6, Acquisitions the Company entered into an arrangement to pay additional purchase consideration based on Motto's future gross revenues, excluding certain fees, for each year beginning October 1, 2017 through September 30, 2026. As of December 31, 2018, this liability was estimated to be \$5.1 million.

In connection with the sale of the assets and liabilities related to the Company's previously owned brokerages, the Company entered into three Assignment and Assumption of Leases Agreements (the "Assignment Agreements") pursuant to which the Company assigned its obligations under and rights, title and interest in 21 leases to the respective purchasers. For certain leases, the Company remains secondarily liable for future lease payments through July 2021 under the respective lease agreements and accordingly, as of December 31, 2018, the Company has outstanding lease guarantees of \$2.0 million. This amount represents the maximum potential amount of future payments under the respective lease guarantees.

In addition, the Company maintains a self-insurance program for health benefits. As of December 31, 2018, and 2017, the Company recorded a liability of \$0.3 million and \$0.4 million, respectively, related to this program.

Litigation

The Company is subject to litigation claims arising in the ordinary course of business. The Company believes that it has adequately accrued for legal matters in accordance with the requirements of GAAP. The Company records litigation accruals for legal matters which are both probable and estimable and for related legal costs as incurred. The Company does not reduce these liabilities for potential insurance or third-party recoveries.

On October 7, 2013, RE/MAX Holdings acquired the net assets, excluding cash, of Tails for consideration paid of \$20.2 million. Following earlier litigation that was dismissed, several shareholders of Tails filed a complaint entitled Robert B. Fisher, Carla L. Fisher, Bradley G. Rhodes and James D. Schwartz v. Gail Liniger, Dave Liniger, Bruce Benham, RE/MAX Holdings, Inc. and Tails Holdco, Inc. in Denver District Court ("Tails II"). On February 13, 2018, the parties signed a formal Settlement Agreement and Mutual General Release resulting in the Company recording a charge of \$2.6 million in "Selling, operating and administrative expenses" in the accompanying Consolidated Statements of Income during the year ended December 31, 2017. In February 2018, the Company received \$1.9 million from its insurance carriers as reimbursement of attorneys' fees and a portion of the settlement and paid \$4.5 million to satisfy the terms of the Settlement Agreement. As a result of the settlement, the litigation was dismissed with prejudice on March 1, 2018.

Management of the Company believes no other such litigation matters involving a reasonably possible chance of loss will, individually or in the aggregate, result in a material adverse effect on the Company's financial condition, results of operations and cash flows.

16. Defined-Contribution Savings Plan

The Company sponsors an employee retirement plan (the "401(k) Plan") that provides certain eligible employees of the Company an opportunity to accumulate funds for retirement. The Company provides matching contributions on a discretionary basis. During the years ended December 31, 2018, 2017 and 2016, the Company recognized expense of \$1.8 million, \$1.5 million and \$1.4 million, respectively, for matching contributions to the 401(k) Plan.

17. Related-Party Transactions

The majority stockholders of RIHI, specifically the Company's current Chairman and Co-Founder and the Company's Vice Chair and Co-Founder have made and continue to make a golf course they own available to the Company for business purposes. The Company used the golf course and related facilities for business purposes at minimal charge during the years ended December 31, 2018, 2017 and 2016. Additionally, the Company recorded expense of \$0.5 million for the value of the benefits provided to Company personnel for the complimentary use of the golf course during each year ended December 31, 2018, 2017 and 2016, with an offsetting increase in additional paid in capital.

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The Company provides services, such as accounting, legal, marketing, technology, human resources and public relations services, to certain affiliated entities (primarily the Company's affiliated advertising funds), and it allows these companies to share its leased office space. During the years ended December 31, 2018, 2017 and 2016, the total amount allocated for services rendered and rent for office space provided on behalf of affiliated entities were \$3.8 million, \$3.4 million and \$2.0 million, respectively. Amounts are generally paid within 30 days and no amounts were outstanding at December 31, 2018 and 2017. See Note 19, Subsequent Event for additional information on the acquisition of the advertising funds.

Related party advertising funds had current outstanding amounts due from the Company of \$0.5 million and \$0.1 million as of December 31, 2018 and 2017, respectively. Such amounts are included in "Accounts payable" in the accompanying Consolidated Balance Sheets.

18. Segment Information

The Company operates under the following three segments: RE/MAX Franchising, Motto Franchising and booj. Due to quantitative insignificance, the Motto Franchising and booj operating segments do not meet the criteria of a reportable segment, and RE/MAX Franchising is the only reportable segment. The RE/MAX Franchising reportable segment comprises the operations of the Company's owned and independent global franchising operations under the RE/MAX brand name and corporate-wide shared services expenses. Other comprises Motto Franchising and booj and does not include any charges related to shared services. Management evaluates the operating results of its segments based upon revenue and adjusted earnings before interest, the provision for income taxes, depreciation and amortization and other non-cash and non-recurring cash charges or other items ("Adjusted EBITDA"). The Company's presentation of Adjusted EBITDA may not be comparable to similar measures used by other companies. Except for the adjustments identified below in arriving at Adjusted EBITDA, the accounting policies of the reportable segments are the same as those described in Note 2, Summary of Significant Accounting Policies.

The following table presents revenue from external customers by segment for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Continuing franchise fees	\$ 98,828	\$ 93,232	\$ 81,194
Annual dues	35,894	33,767	32,653
Broker fees	46,871	43,801	37,209
Franchise sales and other revenue	22,911	22,357	24,470
Brokerage revenue	—	—	112
Total RE/MAX Franchising	\$ 204,504	\$ 193,157	\$ 175,638
Other	8,122	557	4
Total revenue	\$ 212,626	\$ 193,714	\$ 175,642

*See Note 3, Revenue for more information.

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The following table presents a reconciliation of Adjusted EBITDA by segment to income before provision for income taxes for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017 As adjusted*	2016 As adjusted*
Adjusted EBITDA: RE/MAX Franchising	\$ 108,669	\$ 105,184	\$ 94,717
Adjusted EBITDA: Other	(4,353)	(3,039)	(928)
Adjusted EBITDA: Consolidated	104,316	102,145	93,789
Gain (loss) on sale or disposition of assets and sublease, net (a)	139	(4,260)	171
Loss on early extinguishment of debt	—	—	(2,893)
Equity-based compensation expense	(9,176)	(2,900)	(2,330)
Public offering related expenses	—	—	(193)
Acquisition-related expense (b)	(1,634)	(5,889)	(1,899)
Gain on reduction in TRA liability (c)	6,145	32,736	—
Special Committee investigation and remediation expense (d)	(2,862)	(2,634)	—
Fair value adjustments to contingent consideration (e)	1,289	(180)	(100)
Interest income	676	352	160
Interest expense	(12,051)	(9,996)	(8,596)
Depreciation and amortization	(20,678)	(20,512)	(16,094)
Income before provision for income taxes	\$ 66,164	\$ 88,862	\$ 62,015

*See Note 3, Revenue for more information.

- (a) Represents gain (loss) on the sale or disposition of assets as well as the gains (losses) on the sublease of a portion of our corporate headquarters office building.
- (b) Acquisition-related expense includes legal, accounting, advisory and consulting fees incurred in connection with the acquisition and integration of acquired companies that are included in “Selling, operating and administrative expenses” in the accompanying Condensed Consolidated Statements of Income.
- (c) 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. See Note 12, Income Taxes for additional information.
- (d) 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.
- (e) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liability. See Note 11, Fair Value Measurements for additional information.

The following table presents total assets as of December 31, 2018 and 2017 of the Company’s reportable segments (in thousands):

	As of December 31,	
	2018	2017 As adjusted*
Total RE/MAX Franchising	\$ 405,584	\$ 392,797

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Other	21,256	20,038
Total	\$ 426,840	\$ 412,835

*See Note 3, Revenue for more information.

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The following table presents long-lived assets, net of accumulated depreciation disaggregated by geographical area as of December 31, 2018 and 2017 (in thousands):

	As of December 31,	
	2018	2017
		As adjusted*
U.S.	\$ 4,342	\$ 2,842
Global	48	63
Total	\$ 4,390	\$ 2,905

*See Note 3, Revenue for more information.

19. Subsequent Events

The Company acquired all of the regional and pan-regional advertising fund entities previously owned by its founder and Chairman of the Board of Directors, David Liniger, for a nominal amount in a transaction that closed on January 1, 2019. All of these entities, except for the Western Canada region, were then merged into a new entity called RE/MAX Marketing Fund (with the Western Canada fund, collectively, the “Marketing Funds”). As in the past, the funds collected are contractually obligated to be used to support both regional and pan-regional marketing campaigns to build brand awareness and to support the Company’s agent and broker marketing technology. The Company does not plan for the use of the funds to change because of this acquisition and consolidation. The acquisitions of the Marketing Funds are part of the Company’s succession plan, and ownership of the Marketing Funds by the franchisor is a common structure. Fees incurred with the acquisition of the Marketing Funds were not material for the year ended December 31, 2018.

Beginning January 1, 2019, all assets and liabilities of the Marketing Funds will be reflected in the consolidated financial statements of the Company. The Company will also begin recognizing revenue from the amounts collected, which substantially increases its revenues. However, because the use of these funds is contractually encumbered for the benefit of franchisees, the Company expects to have an equal and offsetting amount of expenses such that there is no material impact to overall profitability of the Company as a result of this acquisition. The Company also plans to disclose the Marketing Funds as a separate reportable segment in 2019.

The following table reflects the preliminary assets and liabilities of the acquired entities as of December 31, 2018 (in thousands):

Marketing
Funds

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	(Unaudited)
Cash	\$ 28,495
Other current assets	8,472
Property and equipment	788
Other assets, net of current portion	126
Total assets acquired	37,881
Other current liabilities	37,881
Total liabilities assumed	37,881
Total acquisition price	\$ -

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20. Quarterly Financial Information (unaudited)

Summarized quarterly results for the years ended December 31, 2018 and 2017 were as follows (in thousands, except shares and per share amounts):

	For the Quarter Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total revenue	\$ 52,642	\$ 54,277	\$ 54,866	\$ 50,841
Total operating expenses	38,925	33,363	33,059	29,428
Operating income	13,717	20,914	21,807	21,413
Total other expenses, net	(2,688)	(3,176)	(2,846)	(2,977)
Income before provision for income taxes	11,029	17,738	18,961	18,436
Provision for income taxes	(1,862)	(3,147)	(3,420)	(7,370)
Net income	9,167	14,591	15,541	11,066
Less: net income attributable to non-controlling interest	4,184	6,943	7,402	4,792
Net income attributable to RE/MAX Holdings, Inc.	\$ 4,983	\$ 7,648	\$ 8,139	\$ 6,274
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock				
Basic	\$ 0.28	\$ 0.43	\$ 0.46	\$ 0.35
Diluted	\$ 0.28	\$ 0.43	\$ 0.46	\$ 0.35
Weighted average shares of Class A common stock outstanding				
Basic	17,709,095	17,746,042	17,746,184	17,748,745
Diluted	17,762,133	17,769,641	17,771,212	17,771,180
	For the Quarter Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	As adjusted*	As adjusted*	As adjusted*	(a) As adjusted*
Total revenue	\$ 47,406	\$ 48,727	\$ 49,071	\$ 48,510
Total operating expenses	32,637	26,055	36,580	110
Operating income	14,769	22,672	12,491	48,400
Total other expenses, net	(2,351)	(2,398)	(2,180)	(2,541)
Income before provision for income taxes	12,418	20,274	10,311	45,859
Provision for income taxes	(3,030)	(4,735)	(3,021)	(46,262)
Net income (loss)	9,388	15,539	7,290	(403)
Less: net income attributable to non-controlling interest	4,848	8,081	3,573	5,074
Net income (loss) attributable to RE/MAX Holdings, Inc.	\$ 4,540	\$ 7,458	\$ 3,717	\$ (5,477)

Net income (loss) attributable to RE/MAX Holdings, Inc. per share of Class A common stock				
Basic	\$ 0.26	\$ 0.42	\$ 0.21	\$ (0.31)
Diluted	\$ 0.26	\$ 0.42	\$ 0.21	\$ (0.31)
Weighted average shares of Class A common stock outstanding				
Basic	17,662,842	17,696,842	17,696,991	17,696,991
Diluted	17,716,013	17,723,802	17,737,786	17,747,744

*See Note 3, Revenue for more information.

(a)The quarterly results for the quarter ended December 31, 2017 were impacted by the Tax Cuts and Jobs Act enacted in December 2017. The reduction in the corporate tax rate from 35% to 21% resulted in comparable reductions in both the deferred tax asset amounts and the TRA liabilities. See Note 11, Income Taxes for further information on the impact of the Tax Cuts and Jobs Act.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act), that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that as of December 31, 2018 our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, using the criteria in the Internal Control-Integrated Framework (2013) issued by the Committee

of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, our management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2018.

KPMG LLP, an independent registered public accounting firm, has independently assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 and its report is included herein.

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Changes in Internal Controls over Financial Reporting

As previously disclosed in Item 9A of our Annual Report on Form 10-K, for the year ended December 31, 2017, management identified a material weakness related to benefits provided by principal stockholders. We made a similar conclusion with respect to our internal control over financial reporting for the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018, respectively. The following steps have been implemented by management, with the oversight of the Audit Committee, in 2018 to remediate the material weakness:

- adopted additional policies and procedures for reviewing and approving transactions involving our senior management and controlling stockholder;
- strengthened our process for ensuring the Company has a complete and accurate accounting of all related party transactions involving principal stockholders;
- provided additional training to all officers and directors related to reporting and review of certain transactions; and
- adopted enhanced procedures for the review by our Chief Compliance Officer and Board of Directors of related party transactions.

Except as noted in the preceding paragraphs, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our fourth fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Conduct and a Supplemental Code of Ethics for the Chief Executive Officer and Senior Financial Officers. Both of these codes apply to our chief executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. Both of these codes are available on our website at www.remax.com.

The remaining information required by this Item 10 will be included in our definitive proxy statement for its annual meeting of stockholders (the "Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be included in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information as of December 31, 2018 with respect to shares of our Class A common stock issuable under our equity compensation plan:

Plan Category	Equity Compensation Plan Information			Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights		
Equity compensation plans approved by security holders	478,225	(1) \$ —	(2) 2,231,544	
Equity compensation plans not approved by security holders	—	—	—	
Total	478,225	(1) \$ —	(2) 2,231,544	

(1) Represents 478,225 shares issuable upon vesting of unvested restricted stock units.

(2) The weighted average exercise price does not take into account shares issuable upon vesting or delivery of restricted stock units because these have no exercise price.

The remaining information required by this Item 12 will be included in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 will be included in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 will be included in the Proxy Statement and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K:

- Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017
- Consolidated Statements of Income for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016
- Consolidated Statements of Comprehensive Income for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016
- Consolidated Statements of Stockholders' Equity for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016
- Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

Separate financial statement schedules have been omitted because such information is inapplicable or is included in the financial statements or notes described above.

3. Exhibits

The exhibits listed in the Index to Exhibits, which appears immediately following the signature page and is incorporated herein by reference, are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

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INDEX TO EXHIBITS

Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
3.1	<u>Amended and Restated Certificate of Incorporation</u>	10-Q	001-36101	11/14/2013	3.1	
3.2	<u>Bylaws of RE/MAX Holdings, Inc.</u>	8-K	001-36101	2/22/2018	3.2	
10.1	<u>2013 Omnibus Incentive Plan and related documents.</u> †	S-8	333-191519	10/1/2013	4.2	
10.2	<u>Lease, dated April 16, 2010, by and between Hub Properties Trust and RE/MAX International, LLC.</u>	S-1	333-190699	8/19/2013	10.5	
10.3	<u>Employment Agreement, dated as of July 1, 2010, by and between RE/MAX International Holdings, Inc., RE/MAX, LLC and Geoffrey Lewis.</u> †	S-1	333-190699	9/19/2013	10.8	
10.4	<u>Separation Agreement, Waiver and Release, dated February 8, 2018, between Geoffrey Lewis and RE/MAX, LLC.</u> †	10-Q	001-36101	5/4/2018	10.1	
10.5	<u>Registration Rights Agreement, dated as of October 1, 2013, by and among RE/MAX Holdings, Inc. and RIHI, Inc.</u>	10-Q	001-36101	11/14/2013	10.8	
10.6	<u>Management Services Agreement, dated as of October 1, 2013, by and among</u>	10-Q	001-36101	11/14/2013	10.9	

RMCO, LLC,
RE/MAX, LLC and
RE/MAX Holdings,
Inc.

10.7 RMCO, LLC Fourth 10-Q 001-36101 11/14/2013 10.10
Amended and
Restated Limited
Liability Company
Agreement.

10.8 Tax Receivable 10-Q 001-36101 11/14/2013 10.11
Agreement, dated as
of October 7, 2013,
by and between
RIHI, Inc. and
RE/MAX Holdings,
Inc.

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Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
10.9	<u>Tax Receivable Agreement, dated as of October 7, 2013, by and between Weston Presidio V. L.P. and RE/MAX Holdings, Inc.</u>	10-Q	001-36101	11/14/2013	10.12	
10.10	<u>Form of Indemnification Agreement by and between RE/MAX Holdings, Inc. and each of its directors and executive officers.</u> †	S-1	333-190699	9/27/2013	10.3	
10.11	<u>Form of Time-Based Restricted Stock Unit Award.</u> †	10-K	333-190699	2/24/2017	10.11	
10.12	<u>Form of Performance-Based Restricted Stock Unit Award.</u> †					X
10.13	<u>Form of Restricted Stock Award (Directors and Senior Officers).</u> †	S-1	333-190699	9/27/2013	10.15	
10.14	<u>Form of Restricted Stock Award (General).</u> †	S-1	333-190699	9/27/2013	10.16	
10.15	<u>Form of Stock Option Award (Directors and Senior Officers).</u> †	S-1	333-190699	9/27/2013	10.17	
10.16	<u>Form of Stock Option Award (General).</u> †	S-1	333-190699	9/27/2013	10.18	
10.17	<u>Joinder, dated May 29, 2015, among RE/MAX Holdings, Inc., Weston Presidio V., L.P. and Oberndorf Investments LLC</u>	10-Q	001-36101	8/7/2015	10.3	

10.18	<u>Joinder, dated October 4, 2018, among RE/MAX Holdings, Inc., Oberndorf Investments LLC and Parallaxes Capital Opportunities fund I LP</u>	X
10.19	<u>Joinder, dated December 19, 2018, among RE/MAX Holdings, Inc., Parallaxes Capital Opportunities Fund I LP and Parallaxes Rain Co-Investment, LLC</u>	X

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Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
10.20	<u>Amended and Restated Credit Agreement, dated as of December 15, 2016, among RMCO, LLC, RE/MAX, LLC, the several lenders from time to time parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent.*</u>	8-K	001-36101	12/21/2016	10.1	
10.21	<u>Consent and Waiver, dated November 14, 2017 with respect to the Amended and Restated Credit Agreement, dated as of December 15, 2016 among RE/MAX, LLC; RMCO, LLC; the several banks and other financial institutions or entities from time to time party thereto; and JPMorgan Chase Bank, N.A., as administrative agent.</u>	8-K	001-36101	11/15/17	10.1	
10.22	<u>Second Consent and Waiver, dated December 19, 2017 with respect to the Amended and Restated Credit Agreement, dated as of December 15, 2016 among RE/MAX, LLC;</u>	8-K	001-36101	12/26/17	10.1	

RMCO, LLC: the several banks and other financial institutions or entities from time to time party thereto: and JPMorgan Chase Bank, N.A., as administrative agent.

10.23	<u>Equity Purchase Agreement, dated January 1, 2019, by and between RADF, LLC and David Liniger.*</u>	X
10.24	<u>Asset Purchase Agreement, dated January 1, 2019, by and between RE/MAX Texas Ad Fund, Inc.</u>	X
10.25	<u>Share Purchase Agreement, dated January 1, 2019, by and between RE/MAX of Western Canada (1998), LLC and David Liniger</u>	X

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Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
10.26	<u>Share Purchase Agreement, dated January 1, 2019, by and between Motto Franchising, LLC and David Liniger</u>					X
21.1	<u>List of Subsidiaries</u>					X
23.1	<u>Consent of Independent Registered Public Accounting Firm.</u>					X
24.1	Power of Attorney (included on signature page)					X
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</u>					X
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</u>					X
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

† Indicates a management contract or compensatory plan or arrangement.

* Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplemental copies of any omitted exhibits and schedules upon request by the SEC.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RE/MAX Holdings, Inc.
(Registrant)

Date: February 22, 2019 By: /s/ Adam M. Contos
Adam M. Contos
Director and Chief Executive Officer
(Principal Executive Officer)

Date: February 22, 2019 By: /s/ Karri R. Callahan
Karri R. Callahan
Chief Financial Officer
(Principal Financial Officer)

Date: February 22, 2019 By: /s/ Brett A. Ritchie
Brett A. Ritchie
Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Adam M. Contos and Karri R. Callahan, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or such person's substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Adam M. Contos Adam M. Contos	Director and Chief Executive Officer (Principal Executive Officer)	February 22, 2019
/s/ Karri R. Callahan	Chief Financial Officer	February 22, 2019

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Karri R. Callahan	(Principal Financial Officer)	
/s/ Brett A. Ritchie Brett A. Ritchie	Chief Accounting Officer (Principal Accounting Officer)	February 22, 2019
/s/ David L. Liniger David L. Liniger	Chairman and Co-Founder	February 22, 2019
/s/ Gail A. Liniger Gail A. Liniger	Vice Chair and Co-Founder	February 22, 2019
/s/ Richard O. Covey Richard O. Covey	Director	February 22, 2019
/s/ Kathleen J. Cunningham Kathleen J. Cunningham	Director	February 22, 2019

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/s/ Roger J. Dow Roger J. Dow	Director	February 22, 2019
/s/ Ronald E. Harrison Ronald E. Harrison	Director	February 22, 2019
/s/ Daniel J. Predovich Daniel J. Predovich	Director	February 22, 2019
/s/ Christine M. Riordan Christine M. Riordan	Director	February 22, 2019
/s/ Joseph A. DeSplinter Joseph A. DeSplinter	Director	February 22, 2019
/s/ Teresa S. Van De Bogart Teresa S. Van De Bogart	Director	February 22, 2019