

Pawlicki Raymond
 Form 3
 May 02, 2012

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0104
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
 Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Pawlicki Raymond		(Month/Day/Year)	BIOGEN IDEC INC. [BIIB]	
(Last)	(First)	(Middle)	4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
		04/27/2012		
BIOGEN IDEC INC., 133 BOSTON POST RD.			(Check all applicable)	
(Street)			<input type="checkbox"/> Director	<input type="checkbox"/> 10% Owner
WESTON, MA 02493			<input checked="" type="checkbox"/> Officer	<input type="checkbox"/> Other
(City)	(State)	(Zip)	(give title below)	(specify below)
			SVP, Chief Information Officer	
				6. Individual or Joint/Group Filing(Check Applicable Line)
				<input checked="" type="checkbox"/> Form filed by One Reporting Person
				<input type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	9,485.7107	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
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	Date Exercisable	Expiration Date		Amount or Number of Shares		or Indirect (I) (Instr. 5)	
Restricted Stock Unit	Â (1)	02/23/2014	Common Stock	3,056	\$ 0	D	Â
Restricted Stock Unit	Â (1)	02/09/2015	Common Stock	5,670	\$ 0	D	Â
Restricted Stock Unit	Â (1)	02/08/2016	Common Stock	5,109	\$ 0	D	Â
Stock Option (Right to Buy)	Â (2)	10/01/2018	Common Stock	22,480	\$ 49.59	D	Â
Stock Option (Right to Buy)	Â (3)	02/24/2019	Common Stock	17,855	\$ 49.65	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Pawlicki Raymond BIOGEN IDEC INC. 133 BOSTON POST RD. WESTON, MA 02493	Â	Â	Â SVP, Chief Information Officer	Â

Signatures

Aras Lapinskas, Attorney in Fact for Raymond Pawlicki 05/02/2012

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The number of RSUs reported represents the maximum possible number of shares that are eligible for vesting, which is 150% of the number of shares at target payout. One-fourth of these RSUs are eligible to vest on each of the first four anniversaries of the grant date.

- (1) The actual number of shares that will vest on each vesting date will be determined by comparing the price of Biogen Idec common stock on such vesting date to the price on the grant date (i.e., number of vested shares = number of shares at target payout times [the average 60 calendar-day closing stock price ending on the vesting date divided by the average 60 calendar-day closing stock price on the grant date]).
- (2) The stock options vest in four (4) equal annual installments commencing one year after the grant date of 10/01/08.
- (3) The stock options vest in four (4) equal annual installments commencing one year after the grant date of 02/24/09.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

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Three Months Ended March 31,

2018

2017

2016

(in thousands, except per share amounts)

Total revenue

\$

53,908

\$

50,177

\$

43,820

Net income attributable to RE/MAX Holdings, Inc.

\$

4,291

\$

Explanation of Responses:

3,814

\$

5,010

Basic earnings per common share

\$

0.24

\$

0.22

\$

0.28

Diluted earnings per common share

\$

0.24

\$

0.22

\$

0.28

7. Intangible Assets and Goodwill

Explanation of Responses:

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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 March 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	\$ (66,085)	\$ 114,782	\$ 181,567	\$ (62,218)	\$ 119,349
Other intangible assets:							
Software(a)	4.4	\$ 13,357	\$ (7,903)	\$ 5,454	\$ 13,762	\$ (8,111)	\$ 5,651
Trademarks	10.2	1,334	(682)	652	1,539	(902)	637
Non-compete	10.0	2,500	(375)	2,125	2,500	(312)	2,188
Other - booj(b)		7,875	—	7,875	—	—	—
Total other intangible assets	6.3	\$ 25,066	\$ (8,960)	\$ 16,106	\$ 17,801	\$ (9,325)	\$ 8,476

(a) As of March 31, 2018 and December 31, 2017, capitalized software development costs of \$0.7 million and \$0.6 million, respectively, were related to information technology infrastructure projects not yet complete and ready for their intended use and thus were not subject to amortization.

(b) Includes the preliminary intangible assets assumed with the acquisition of booj. See Note 6, Acquisitions for additional information.

Amortization expense for the three months ended March 31, 2018 and 2017 was \$4.3 million and \$5.8 million, respectively.

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

As of March 31, 2018:	
Remainder of 2018	\$ 14,206
2019	18,762
2020	18,561
2021	18,112
2022	15,797
	\$ 85,438

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

Balance, January 1, 2018	\$ 135,213
Goodwill recognized related to current year acquisitions	18,375
Adjustments to acquisition accounting during the measurement period	700
Effect of changes in foreign currency exchange rates	(92)
Balance, March 31, 2018	\$ 154,196

8. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	March 31, 2018	December 31, 2017
Accrued payroll and related employee costs	\$ 5,106	\$ 3,874
Accrued taxes	1,235	1,635
Accrued professional fees	1,506	2,339
Other(a)	3,107	7,542
	\$ 10,954	\$ 15,390

(a)

Explanation of Responses:

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Other accrued liabilities as of December 31, 2017 includes 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 14, Commitments and Contingencies.

9. Debt

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

	March 31, 2018	December 31, 2017
Senior Secured Credit Facility	\$ 231,475	\$ 232,063
Less unamortized debt issuance costs	(1,705)	(1,780)
Less unamortized debt discount costs	(1,244)	(1,297)
Less current portion	(2,350)	(2,350)
	\$ 226,176	\$ 226,636

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Maturities of debt are as follows (in thousands):

As of March 31, 2018:	
Remainder of 2018	\$ 1,763
2019	2,350
2020	2,350
2021	2,350
2022	2,350
Thereafter	220,312
	\$ 231,475

Senior Secured Credit Facility

RE/MAX, LLC is party to a credit agreement, dated December 15, 2016, with JPMorgan Chase Bank, N.A., as administrative agent, and various lenders (the “Senior Secured Credit Facility”). Borrowings under the term loans and revolving loans, if any outstanding, accrue interest at LIBOR (as long as LIBOR is not less than the floor of 0.75%) plus a maximum applicable margin of 2.75%. As of March 31, 2018, the interest rate was 5.05%.

As of March 31, 2018, the Company had no revolving loans outstanding under its Senior Secured Credit Facility. Whenever amounts are drawn under the revolving line of credit, the 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.

10. 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 should be 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 is described in detail in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

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

	As of March 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	\$ 6,665	\$ -	\$ -	\$ 6,665	\$ 6,580	\$ -	\$ -	\$ 6,580

The Company is required to pay additional purchase consideration totaling eight percent of gross revenues 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. The Company measures this liability each reporting period and recognizes changes in fair value, if any, in earnings of the Company. Any changes are included in “Selling, operating and administrative expenses” in the accompanying Condensed Consolidated Statements of Income. Increases or decreases in the fair value of the contingent purchase consideration can result from

Explanation of Responses:

changes in discount rates as well as the timing and amount of forecasted cash payments derived from anticipated gross revenues.

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The table below presents a reconciliation of all liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs for the period from January 1, 2018 to March 31, 2018 (in thousands):

	Fair Value of Contingent Consideration Liability
Balance at January 1, 2018	\$ 6,580
Fair value adjustments	135
Cash payments	(50)
Balance at March 31, 2018	\$ 6,665

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 transfers between Levels I, II and III during the three months ended March 31, 2018.

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

	March 31, 2018			December 31, 2017		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Senior Secured Credit Facility	\$ 228,526	\$ 232,065		\$ 228,986	\$ 232,933	

11. Income Taxes

The "Provision for income taxes" in the accompanying Condensed Consolidated Statements of Income for the three months ended March 31, 2018 and 2017 is based on an estimate of the Company's annualized effective income tax rate. 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. As of March 31, 2018, the Company does not believe it has any significant uncertain tax positions.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted which includes significant changes to the U.S. corporate tax system. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act for which the accounting under ASC 740, Income Taxes ("ASC 740") is incomplete. To the extent that a company's accounting for certain income tax effects of the Tax Cuts and Jobs Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before enactment of the Tax Cuts and Jobs Act.

The Company completed the majority of the accounting for the tax effects of the Tax Cuts and Jobs Act as of December 31, 2017. However, the Company's analysis around the new foreign-derived intangible income ("FDII") deduction remains incomplete. As such, the Company has not estimated or included a provisional adjustment for deferred tax assets related to the FDII deduction. Also, there is uncertainty around the depreciable life of qualified property as well as eligibility for accelerated depreciation after September 27, 2017. Therefore the Company has not estimated a provisional amount for deferred tax assets related to qualified property depreciation expense. In addition, the Company re-measured the applicable deferred tax assets and liabilities based on the rates at which they are expected to reverse. The Company is still analyzing certain aspects of the Tax Cuts and Jobs Act and is refining its calculations, which could potentially affect the measurement of these balances. In accordance with current SEC guidance, the Company will report the impact of these items in the reporting period in which the accounting is completed, which will not exceed one year from the date of enactment of the Tax Cuts and Jobs Act.

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12. 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 Condensed Consolidated 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 Condensed Consolidated Statements of Income.

Employee stock-based compensation expense under the Company’s 2013 Incentive Plan was as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Expense from Time-based RSUs	\$ 800	\$ 527
Expense from Performance-based RSUs	468	35
Equity-based compensation expense	1,268	562
Tax benefit from equity-based compensation	(179)	(123)
Excess tax benefit from equity-based compensation	(72)	(207)
Net compensation cost	\$ 1,017	\$ 232
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, generally vest equally in annual installments over a three year period. Grants awarded to booj employees and former owners 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 as of and for the three months ended March 31, 2018:

	Time-based restricted stock units	Weighted average grant date fair value per share
Balance, January 1, 2018	105,862	\$ 41.67
Granted	174,708	\$ 55.51
Shares vested (including tax withholding)(a)	(46,520)	\$ 44.32
Balance, March 31, 2018	234,050	\$ 51.48

(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.

At March 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 3.49 years for time-based restricted stock units.

Performance-based Restricted Stock Units

Performance-based RSUs for employees, other than booj employees and former owners, are stock-based awards in which the number of shares ultimately received depends on the Company's achievement of a specified revenue as well as the Company's total shareholder return ("TSR") relative to the TSR of all companies in the S&P SmallCap 600 Index over a three year performance period. The number of shares that could be issued range from 0% to 150% of the

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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.

Performance-based RSUs granted to booj employees and former owners are stock-based awards in which the number of shares ultimately received depends on the achievement of certain technology requirements set forth in the 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 requirements. As of March 31, 2018, the Company expects full achievement of the requirements. Earned performance-based RSUs vest May 31, 2019 and November 1, 2019 as the corresponding requirements are achieved. 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 as of and for the three months ended March 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)	107,311	\$ 55.20
Balance, March 31, 2018	139,142	\$ 55.81

(a) Represents the total participant target award.

At March 31, 2018, there was \$6.4 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 1.52 years for performance-based RSUs.

After giving effect to all outstanding awards (assuming maximum achievement of performance goals for performance-based awards), there were 2,379,333 additional shares available for the Company to grant under the 2013 Incentive Plan as of March 31, 2018.

13. Leadership Change

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 Condensed Consolidated Statements of Income during the three months ended March 31, 2018, which will be paid over a 39-month period.

14. Commitments and Contingencies

Commitments

Explanation of Responses:

The Company leases offices and equipment under noncancelable leases, subject to certain provisions for renewal options and escalation clauses.

Contingencies

In connection with the purchase of Full House, the Company entered into an arrangement to pay additional purchase consideration based on Motto's future gross revenues collected, excluding certain fees, for each year beginning

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October 1, 2017 through September 30, 2026. As of March 31, 2018, this liability was estimated to be \$6.7 million. See Note 10, Fair Value Measurements for additional information.

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 Lease 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 March 31, 2018, the Company has outstanding lease guarantees of \$3.2 million. This amount represents the maximum potential amount of future payments under the respective lease guarantees. In the event of default by the purchaser, the indemnity and default clauses in the Assignment Agreements govern the Company's ability to pursue and recover damages incurred, if any, against the purchaser.

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 as appropriate. 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. On February 27, 2018 the Company received \$1.9 million from its insurance carriers as reimbursement of attorneys' fees and a portion of the settlement. On February 28, 2018, the Company 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 not, individually or in the aggregate, result in a material adverse effect on the Company's financial condition, results of operations and cash flows.

15. Related-Party Transactions

The majority stockholders of RIHI, including 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 for the three months ended March 31, 2018 and 2017.

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 three months ended March 31, 2018 and 2017, the total amounts allocated for services rendered and rent for office space provided on behalf of affiliated entities were \$1.0 million and \$0.8 million, respectively. Amounts are generally paid within 30 days and no amounts were outstanding at

March 31, 2018 or December 31, 2017.

Related party advertising funds had current outstanding amounts due from the Company of \$0.2 million and \$0.1 million as of March 31, 2018 and December 31, 2017, respectively. Such amounts are included in "Accounts payable" in the accompanying Condensed Consolidated Balance Sheets.

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of our operations should be read together with the condensed consolidated financial statements and the related notes of RE/MAX Holdings, Inc. included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the audited consolidated financial statements and the related notes of RE/MAX Holdings, Inc. included in our most recent Annual Report on Form 10-K for the year ended December 31, 2017.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "believe," "intend," "expect," "estimate," "plan," "outlook," "project," "anticipate," "may," "will," "would" and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to:

- 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 strategy of increasing our agent count;
- our ability to expand our network of franchises in both new and existing but underpenetrated markets;
- our expectations regarding the growth of Motto Mortgage, our mortgage brokerage franchise;
- our growth strategy of increasing our number of closed transaction sides and transaction sides per agent;
- the continued strength of our brand both in the U.S. and Canada and in the rest of the world;
- the pursuit of future reacquisitions 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 information technology infrastructure;
- the anticipated benefits of our advertising strategy;
- our intention to repatriate cash generated by our Canadian operations to the U.S. on a regular basis in order to minimize the impact of currency gains and losses;
- our ability to effectively implement and account for changes in U.S. tax laws, including the Tax Cuts and Jobs Act;

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- the implications of the previously-disclosed investigation by the special committee of the board of directors (the “Special Committee Investigation”) of actions of certain members of the Company’s senior management, which was concluded in February 2018, and its impact of the findings and recommendations on us and our operations;
- our remedial efforts and other measures in response to the outcome, findings and recommendations of the Special Committee Investigation;
- 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; and
- the anticipated benefits of the acquisition of booj and other aspects of our technology strategy.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily accurately indicate the times at which such performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled “Risk Factors,” set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date of this report. Except as required by law, we do not intend, and we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

The 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, including RMCO, LLC and its consolidated subsidiaries (“RMCO”), 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, founded in 1973, has over 120,000 agents operating in over 7,000 offices and a presence in more than 100 countries and territories. Nobody in the world sells more real estate than RE/MAX, as measured by residential transaction sides. 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. Motto, founded in 2016, is the first national mortgage brokerage franchise offering in the U.S. During the first quarter of 2018, we acquired all membership interests in booj, LLC, formerly known as Active Website, LLC, (“booj”), a real estate technology company.

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Financial and Operational Highlights – Three Months Ended March 31, 2018

(Compared to three months ended March 31, 2017, as adjusted*, unless otherwise noted)

*See Note 3, Revenue for more information.

- Total agent count grew by 6.2% to 120,821 agents.
- U.S. and Canada combined agent count increased 1.9% to 84,829 agents.
- Revenue of \$52.6 million, up 11.0% from the prior year.
- Net income attributable to RE/MAX Holdings, Inc. of \$5.0 million.
- Adjusted EBITDA of \$22.8 million and Adjusted EBITDA margin of 43.4%.

During the three months ended March 31, 2018 we grew our total agent count 6.2%. We sold 8 Motto franchises during the three months ended March 31, 2018 resulting in a total of 74 Motto franchises sold from inception through March 31, 2018. Our revenue increased \$5.2 million, or 11.0%, to \$52.6 million primarily due to organic growth as a result of agent count increases, rising average home prices, event-based revenue from our annual convention in the U.S. and Motto expansion. The acquisitions of RE/MAX of Northern Illinois and booj added \$1.7 million or 3.7% to revenue. These increases to revenue were partially offset by \$2.1 million of fees incurred related to the Special Committee Investigation, \$1.8 million in severance and other related charges due to the retirement of the Company's former President and higher operating expenses related to Motto and booj.

Selected Operating and Financial Highlights

For comparability purposes, the following tables set forth our agent count and results of operations for the periods presented in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The period-to-period comparison of agent count and financial results is not necessarily indicative of future performance.

	As of March 31,		Change Favorable/(Unfavorable)		
	2018	2017	#	%	
RE/MAX Agent Count:					
U.S.	63,612	62,441	1,171	1.9	%
Canada	21,217	20,836	381	1.8	%
U.S. and Canada Total	84,829	83,277	1,552	1.9	%
Outside U.S. and Canada	35,992	30,527	5,465	17.9	%
Network-wide agent count	120,821	113,804	7,017	6.2	%

	Three Months Ended March 31,	
	2017 As adjusted*	2018 (in thousands, except percentages)
Total revenue	\$ 47,406	\$ 52,642
Total selling, operating and administrative expenses	\$ 26,654	\$ 34,368

Explanation of Responses:

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Operating income	\$ 13,717	\$ 14,769
Net income attributable to RE/MAX Holdings, Inc.	\$ 4,983	\$ 4,540
Adjusted EBITDA(1)	\$ 22,844	\$ 21,943
Adjusted EBITDA margin(1)	43.4 %	46.3 %

*See Note 3, Revenue for more information.

(1) 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

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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.

Results of Operations

Comparison of the Three Months Ended March 31, 2018 and 2017

Revenue

A summary of the components of our revenue for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31,		Change Favorable/(Unfavorable)		
	2018	2017 As adjusted*	\$	%	
	(in thousands, except percentages)				
Revenue:					
Continuing franchise fees	\$ 25,240	\$ 22,965	\$ 2,275	9.9	%
Annual dues	8,696	8,235	461	5.6	%
Broker fees	9,188	8,235	953	11.6	%
Franchise sales and other revenue	9,518	7,971	1,547	19.4	%
Total revenue	\$ 52,642	\$ 47,406	\$ 5,236	11.0	%

*See Note 3, Revenue for more information.

Consolidated revenue increased due to organic growth primarily as a result of higher event-based revenue from our annual convention in the U.S., agent count increases, rising average home prices and Motto expansion. Contributions due to the acquisitions of RE/MAX of Northern Illinois and booj added \$1.7 million or 3.7%.

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 \$0.9 million, agent count growth and Motto expansion.

Annual Dues

Revenue from annual dues increased primarily due to an increase in agent count in the U.S. and Canada and July 1, 2017 fee increases. 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 organic growth of \$0.7 million driven primarily by rising average home prices and agent count growth. Contributions from the acquisition of RE/MAX of Northern Illinois added \$0.2 million.

Franchise Sales and Other Revenue

Explanation of Responses:

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

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Operating Expenses

A summary of the components of our operating expenses for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31,		Change Favorable/(Unfavorable)		
	2018	2017 As adjusted*	\$	%	
(in thousands, except percentages)					
Operating expenses:					
Selling, operating and administrative expenses	\$ 34,368	\$ 26,654	\$ (7,714)	(28.9)	%
Depreciation and amortization	4,575	5,995	1,420	23.7	%
Gain on sale or disposition of assets, net	(18)	(12)	6	50.0	%
Total operating expenses	\$ 38,925	\$ 32,637	\$ (6,288)	(19.3)	%
Percent of revenue	73.9 %	68.8 %			

*See Note 3, Revenue for more information.

Selling, Operating and Administrative Expenses

Selling, operating and administrative expenses primarily 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.

A summary of the components of our selling, operating and administrative expenses for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31,		Change Favorable/(Unfavorable)		
	2018	2017 As adjusted*	\$	%	
(in thousands, except percentages)					
Selling, operating and administrative expenses:					
Personnel	\$ 14,949	\$ 11,241	\$ (3,708)	(33.0)	%
Professional fees	5,627	3,496	(2,131)	(61.0)	%
Rent and related facility operations	2,380	2,330	(50)	(2.1)	%
Other	11,412	9,587	(1,825)	(19.0)	%
Total selling, operating and administrative expenses	\$ 34,368	\$ 26,654	\$ (7,714)	(28.9)	%
Percent of revenue	65.3 %	56.2 %			

*See Note 3, Revenue for more information.

Total selling, operating and administrative expenses increased as follows:

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Explanation of Responses:

Personnel costs increased primarily due to severance and other related charges of \$1.8 million in connection with the retirement of the Company's former President, \$1.2 million in personnel costs, including incremental stock-based compensation expense, related to the acquisition of booj and increased personnel investments to support Motto.

- Professional fees increased primarily due to \$2.0 million in costs related to the Special Committee Investigation.

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- Other selling, operating and administrative expenses increased due to higher operating expenses related to Motto, expenses incurred in connection with the acquisitions of RE/MAX of Northern Illinois and booj as well as increases in expenses related to higher attendance at our annual convention in the U.S.

Depreciation and Amortization

Depreciation and amortization expense decreased primarily due to certain acquired franchise agreements reaching the end of their contractual term partially offset by amortization expense related to the franchise agreements acquired in connection with the acquisition of Northern Illinois.

Other Expenses, Net

A summary of the components of our other expenses, net for the three months ended March 31, 2018 and 2017, is as follows:

	Three Months Ended		Change	
	March 31, 2018	2017	Favorable/(Unfavorable) \$	%
	(in thousands, except percentages)			
Other expenses, net:				
Interest expense	\$ (2,724)	\$ (2,354)	\$ (370)	(15.7) %
Interest income	119	26	93	n/a
Foreign currency transaction loss	(83)	(23)	(60)	n/a
Total other expenses, net	\$ (2,688)	\$ (2,351)	\$ (337)	(14.3) %
Percent of revenue	5.1	% 5.0	%	

Other expenses, net increased primarily due to an increase in interest expense as a result of increasing interest rates on our Senior Secured Credit Facility.

Provision for Income Taxes

Our effective income tax rate decreased to 16.9% from 24.4% for the three months ended March 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 deferred tax asset due to the reduction in our corporate tax rate. See Note 11, 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'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," as well as annual changes in state and foreign income tax rates. 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 \$0.7 million primarily due to a decrease in RMCO's net income during the three months ended March 31, 2018 compared to March 31, 2017.

Adjusted EBITDA

Explanation of Responses:

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.

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Adjusted EBITDA was \$22.8 million for the three months ended March 31, 2018, an increase of \$0.9 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, increased attendance at our annual convention and increasing home prices, partially offset by severance and other related charges due to the retirement of the Company's former President and higher operating expenses related to Motto and booj.

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 that are 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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), 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, equity-based compensation expense, acquisition related expense, Special Committee Investigation expense, 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 and provides greater transparency into our results of operations. 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 to pay RIHI and Oberndorf pursuant to the 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
- other companies may calculate these measures differently, so similarly named measures may not be comparable.

Explanation of Responses:

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A reconciliation of Adjusted EBITDA to net income for our consolidated results for the three months ended March 31, 2018 and 2017 is set forth in the following table (in thousands):

	Three Months Ended	
	March 31,	
	2018	2017
		As
		adjusted*
Net income	\$ 9,167	\$ 9,388
Depreciation and amortization	4,575	5,995
Interest expense	2,724	2,354
Interest income	(119)	(26)
Provision for income taxes	1,862	3,030
EBITDA	18,209	20,741
Gain on sale or disposition of assets and sublease, net (1)	(28)	(47)
Equity-based compensation expense	1,268	562
Acquisition related expense (2)	1,174	557
Special Committee Investigation expense (3)	2,086	—
Fair value adjustments to contingent consideration (4)	135	130
Adjusted EBITDA	\$ 22,844	\$ 21,943

*See Note 3, Revenue for more information.

- (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 costs incurred in connection with our acquisition and integration of certain assets of Tails in October 2013, expenses related to the acquisitions of certain independent regions during 2016 (New Jersey, Georgia, Kentucky/Tennessee and Southern Ohio), RE/MAX of Northern Illinois in 2017 and booj in 2018. Costs include legal, accounting and advisory fees and consulting fees for integration services.
- (3) Special Committee Investigation 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.
- (4) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liability related to the acquisition of Full House. See Note 10, Fair Value Measurements for additional information.

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Liquidity and Capital Resources

Overview of Factors Affecting Our Liquidity

Our liquidity position has been positively affected by the growth of our agent base and improving 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. Our cash flows are primarily related to the timing of:

- (i) cash receipt of revenues;
- (ii) payment of selling, operating and administrative expenses;
- (iii) cash consideration for acquisitions and acquisition-related expenses;
- (iv) principal payments and related interest payments on our Senior Secured Credit Facility;
- (v) dividend payments to stockholders of our Class A common stock;
- (vi) 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");
- (vii) corporate tax payments paid by the Company; and
- (viii) 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 Senior Secured Credit Facility.

Financing Resources

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

The 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 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 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 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 that LIBOR shall be no less than 0.75% plus a maximum applicable margin of 2.75%.

The 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 Senior Secured Credit Facility.

The 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

Explanation of Responses:

how such term is defined therein), to \$100.0 million in any fiscal year. The Senior Secured Credit Facility also provides

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for incremental facilities, subject to lender participation, as long as the total leverage ratio (calculated as net debt to EBITDA as defined therein) remains below 4.00:1.00.

As of March 31, 2018, RE/MAX, LLC had \$228.5 million of term loans outstanding, net of an unamortized discount and issuance costs, and no revolving loans outstanding under our Senior Secured Credit Facility. If any loan or other amounts are outstanding under the revolving line of credit, the 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 March 31, 2018 and December 31, 2017, we had \$30.1 million and \$50.8 million, respectively of cash and cash equivalents, of which approximately \$0.6 million and \$0.8 million were denominated in foreign currencies, respectively.

The following table summarizes our cash flows from operating, investing, and financing activities:

	Three Months Ended March 31,		
	2018	2017	Change
	(in thousands)		
Cash provided by (used in):			
Operating activities	\$ 13,572	\$ 14,095	\$ (523)
Investing activities	(26,941)	(657)	(26,284)
Financing activities	(7,322)	(6,507)	(815)
Effect of exchange rate changes on cash	(13)	98	(111)
Net change in cash and cash equivalents	\$ (20,704)	\$ 7,029	\$ (27,733)

Operating Activities

During the three months ended March 31, 2018, cash provided by operating activities decreased slightly primarily as a result of:

- the February 2018 net payment of \$2.6 million to satisfy the terms of a litigation settlement that did not occur in the prior year period;
- offset by the \$1.9 million TRA payment that occurred in the prior year period that did not occur in the current year period; and
- timing differences on various operating assets and liabilities.

Investing Activities

During the three months ended March 31, 2018, cash used in investing activities increased primarily as a result of the acquisition of booj.

Financing Activities

During the three months ended March 31, 2018 cash used in financing activities increased slightly primarily as a result of 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 the first quarter of 2018 compared to a dividend of \$0.18 per share on all outstanding shares of Class A common stock in the

first quarter of 2017.

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Cash 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 Senior Secured Credit Facility available to support the needs of our business.

Acquisitions

As part of our growth strategy we may pursue reacquisitions of regional franchise rights in 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 Senior Secured Credit Facility.

Capital Expenditures

The total aggregate amount paid for purchases of property and equipment and purchased and developed software was \$0.7 million and \$0.6 million during the three months ended March 31, 2018 and 2017, respectively. Amounts paid for purchases of property, equipment and software primarily related to investments in our information technology infrastructure and leasehold improvements. 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 2018 are expected to be between \$7.0 million and \$8.0 million as a result of increased investments in our technology infrastructure and core technology solutions designed for and with RE/MAX affiliates.

Dividends

Our Board of Directors declared and paid quarterly cash dividends of \$0.20 per share on all outstanding shares of Class A common stock during the first quarter of 2018, as disclosed in Note 5, Earnings Per Share and Dividends. On May 2, 2018, our Board of Directors declared a quarterly cash dividend of \$0.20 per share on all outstanding shares of Class A common stock, which is payable on May 30, 2018 to stockholders of record at the close of business on May 16, 2018. 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 New RMCO, LLC Agreement

As authorized by the New RMCO, LLC Agreement, RMCO makes cash distributions to its unitholders, RE/MAX Holdings and RIHI, also referred to as its members. In accordance with the New RMCO, LLC Agreement, 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.

Explanation of Responses:

Throughout the year until completion of its tax returns 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 year. See Note 4, Non-controlling Interest for further details on distributions made by RMCO.

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Payments Pursuant to the Tax Receivable Agreements

As of March 31, 2018, the Company reflected a total liability of \$53.2 million under the terms of these 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.

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 pursuant to the New RMCO, LLC Agreement and TRAs in the three months ended March 31, 2018 and 2017 were comprised of the following (in thousands):

	Three Months Ended March 31, 2018		2017
Distributions and other payments pursuant to the New RMCO, LLC Agreement:			
Required distributions for taxes and pro rata distributions as a result of distributions to RE/MAX Holdings in order to satisfy its estimated tax liabilities	\$ 9		\$ 20
Dividend distributions	2,512		2,261
Total distributions to RIHI	2,521		2,281
Payments pursuant to the TRAs	-		1,931
Total distributions to RIHI and TRA payments	\$ 2,521		\$ 4,212
Commitments and Contingencies			

Except for the outstanding lease guarantees acquired in connection with the dispositions of our previously owned brokerages as disclosed in Note 14, Commitments and Contingencies our management does not believe there are any other matters involving us that could result, individually or in the aggregate, in a material adverse effect on our financial condition, results of operations and cash flows.

Off Balance Sheet Arrangements

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

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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. Actual results could differ from those estimates. Our Critical Accounting Judgments and Estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2017, for which there were no material changes, included:

- Goodwill
- Franchise Agreements and Other Intangible Assets
- Purchase Accounting for Acquisitions
- Contingent Consideration
- Income Tax Accounting
- Payments Pursuant to the TRAs
- General 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 balance sheets. ASU 2016-02 is required to be adopted by us on January 1, 2019. Early adoption is permitted in any interim or annual reporting period. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We have not yet determined the effect of the standard on our consolidated financial statements and related disclosures.

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Item 3. Quantitative and Qualitative Disclosures About Market Risks

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 Senior Secured Credit Facility which bear interest at variable rates. At March 31, 2018, \$228.5 million in term loans were outstanding under our Senior Secured Credit Facility. As of March 31, 2018, the undrawn borrowing availability under the revolving line of credit under our 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 Senior Secured Credit Facility entered into in December 2016 is currently based on LIBOR, subject to a floor of 0.75%, plus an applicable margin of 2.75%. As of March 31, 2018, the interest rate was 5.05%. If LIBOR rises, then each hypothetical 0.125% increase would result in additional annual interest expense of \$0.3 million.

Currency Risk

We have a network of global franchisees in over 100 countries and territories. Fees imposed on independent franchisees and agents in foreign countries are charged in the local currency. Fluctuations in exchange rates of the U.S. dollar against foreign currencies and cash held in foreign currencies can result, and have resulted, in fluctuations in our operating income and foreign exchange transaction gains and losses, with the Canadian dollar representing the most significant exposure. We currently do not engage in any foreign exchange hedging activity but may do so in the future. During the three months ended March 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 pre-tax income of approximately \$0.3 million.

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Item 4. 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 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 Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that as of March 31, 2018 our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in the Company's Annual Report on Form 10-K, management has determined that the Company did not have an effective risk assessment process to identify and assess the financial reporting risks related to benefits provided by principal stockholders. As a consequence, the Company did not have effective controls and training of personnel over the identification and communication of related party transactions to financial reporting personnel, management and the Board, as appropriate, to identify and evaluate recognition, measurement and disclosure of such transactions. These control deficiencies resulted in misstatements in the consolidated financial statements that were corrected in current and prior periods as discussed in the Company's Annual Report on Form 10-K. These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis, and, therefore, management concluded that the control deficiencies represent a material weakness in our internal control over financial reporting and our internal control over financial reporting was not effective as of March 31, 2018.

Notwithstanding the material weakness, management believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Remediation Plans

To remediate the material weakness in internal control over financial reporting, we are making several changes, including the following:

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Explanation of Responses:

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

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Several of these changes have already been implemented and the Company continues to work on the remainder. However, the material weakness will not be considered fully remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect the remediation will be completed in 2018, but there can be no assurance that we will meet this goal and we may also conclude that additional measures are required to remediate the material weakness which may necessitate additional implementation and evaluation time.

Changes in Internal Control over Financial Reporting

Except as related to the material weakness and remedial measures described above, 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 first quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in litigation, claims and other proceedings relating to the conduct of our business. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. We do not believe we have any currently pending litigation of which the outcome will have a material adverse effect on our business, financial condition or operations; however, litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liability and could also materially adversely affect our operations and our reputation.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report”). There have been no material changes in our risk factors as disclosed in our 2017 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. 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	3.1	
4.1	<u>Form of RE/MAX Holdings, Inc.'s Class A common stock certificate.</u>	S-1	333-190699	9/27/2013	4.1	
10.1	<u>Separation Agreement, Waiver and Release, dated February 8, 2018, between Geoffrey Lewis and RE/MAX, LLC*</u>					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 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						X

Explanation of Responses:

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XBRL Taxonomy Extension Label
Linkbase Document

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X
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* 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 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: May 4, 2018 By: /s/ Adam M. Contos
Adam M. Contos
Chief Executive Officer
(Principal Executive Officer)

Date: May 4, 2018 By: /s/ Karri R. Callahan
Karri R. Callahan

Chief Financial Officer

(Principal Financial Officer)

Date: May 4, 2018 By: /s/ Brett A. Ritchie
Brett A. Ritchie

Chief Accounting Officer

(Principal Accounting Officer)