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DELTA REPORT

10-Q

DOUGLAS ELLIMAN INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	938
CHANGES	249
DELETIONS	342
ADDITIONS	347

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

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2023 March 31, 2024

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

DOUGLAS ELLIMAN INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-41054**	**87-2176850**
(State or other jurisdiction of incorporation incorporation or organization)	Commission File Number	(I.R.S. Employer Identification No.)

4400 Biscayne Boulevard
Miami, Florida 33137
305-579-8000
(Address, including zip code and telephone number, including area code, of the principal executive offices)

Securities Registered Pursuant to 12(b) of the Act:

Title of each class:	**Trading Symbol(s)**	**Name of each exchange on which registered:**
Common stock, par value $0.01 per share	DOUG	New York Stock Exchange

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.
x Yes o 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 and post such files).
x Yes o 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	x	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. o

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

At November 3, 2023 May 3, 2024, Douglas Elliman Inc. had 88,707,320 91,419,787 shares of common stock outstanding.

DOUGLAS ELLIMAN INC.

FORM 10-Q

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DOUGLAS ELLIMAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)
Unaudited

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
ASSETS:	ASSETS:				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					

Cash and cash equivalents	Cash and cash equivalents	$ 126,340	$ 163,859
Receivables	Receivables	26,824	22,162
Agent receivables, net	Agent receivables, net	13,978	12,826
Income taxes receivable, net	Income taxes receivable, net	6,154	7,547
Restricted cash and cash equivalents	Restricted cash and cash equivalents	5,011	4,985
Other current assets	Other current assets	18,732	13,680
Total current assets	Total current assets	197,039	225,059
Property, plant and equipment, net	Property, plant and equipment, net	40,724	41,717
Operating lease right-of-use assets	Operating lease right-of-use assets	112,067	117,773
Long-term investments (includes $4,195 and $6,219 at fair value)		13,129	12,932
Long-term investments (includes $4,158 and $3,983 at fair value)			
Contract assets, net	Contract assets, net	34,099	38,913
Goodwill	Goodwill	32,230	32,230
Other intangible assets, net	Other intangible assets, net	73,139	73,666
Deferred income taxes, net			
Equity-method investments	Equity-method investments	1,984	1,629
Other assets	Other assets	6,695	6,483
Total assets	Total assets	$ 511,106	$ 550,402
LIABILITIES AND STOCKHOLDERS' EQUITY:	LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Current portion of litigation settlement			

Current portion of litigation settlement				
Current portion of litigation settlement				
Current operating lease liability	Current operating lease liability	$ 22,153	$ 22,328	
Income taxes payable, net				
Accounts payable	Accounts payable	4,753	5,456	
Commissions payable	Commissions payable	25,215	22,117	
Accrued salaries and benefits	Accrued salaries and benefits	9,981	18,228	
Contract liabilities	Contract liabilities	10,500	8,222	
Other current liabilities	Other current liabilities	20,380	13,607	
Total current liabilities	Total current liabilities	92,982	89,958	
Deferred income taxes, net		5,756	14,467	
Non-current operating lease liabilities				
Non-current operating lease liabilities				
Non-current operating lease liabilities	Non-current operating lease liabilities	114,371	120,508	
Contract liabilities	Contract liabilities	50,178	54,706	
Litigation settlement				
Other liabilities	Other liabilities	77	306	
Total liabilities	Total liabilities	263,364	279,945	
Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)			Commitments and contingencies (Note 7)
Stockholders' equity:	Stockholders' equity:			
Preferred stock, par value $0.01 per share, 10,000,000 shares authorized	Preferred stock, par value $0.01 per share, 10,000,000 shares authorized	—	—	

Common stock, par value $0.01 per share, 250,000,000 shares authorized, 88,682,319 and 80,881,022 shares issued and outstanding		887	809
Preferred stock, par value $0.01 per share, 10,000,000 shares authorized			
Preferred stock, par value $0.01 per share, 10,000,000 shares authorized			
Common stock, par value $0.01 per share, 250,000,000 shares authorized, 91,535,412 and 87,925,412 shares issued and outstanding			
Additional paid-in capital	Additional paid-in capital	278,466	273,111
Accumulated deficit	Accumulated deficit	(32,709)	(5,000)
Total Douglas Elliman Inc. stockholders' equity	Total Douglas Elliman Inc. stockholders' equity	246,644	268,920
Non-controlling interest	Non-controlling interest	1,098	1,537
Total stockholders' equity	Total stockholders' equity	247,742	270,457
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 511,106	$ 550,402

The accompanying notes are an integral part of the condensed consolidated financial statements.

DOUGLAS ELLIMAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended			

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Revenues:				
Commissions and other brokerage income	$239,255	$259,977	$703,780	$903,917
Property management	8,697	8,541	26,849	27,786
Other ancillary services	3,596	4,070	10,813	14,144
Total revenues	251,548	272,588	741,442	945,847
Expenses:				
Real estate agent commissions	185,845	195,836	546,749	686,440
Sales and marketing	20,770	22,703	64,170	64,145
Operations and support	17,121	18,218	53,338	55,872
General and administrative	28,817	33,522	92,371	99,227
Technology	5,602	5,527	17,777	16,809
Depreciation and amortization	1,999	1,968	6,031	6,033
Litigation settlement				

Restructuring	Restructuring	215	—	1,932	—
Operating (loss) income		(8,821)	(5,186)	(40,926)	17,321
Operating loss					
Other income (expenses):	Other income (expenses):				
Other income (expenses):					
Other income (expenses):					
Interest income, net	Interest income, net	1,785	493	4,260	564
Equity in earnings (losses) from equity-method investments		10	(895)	(143)	(477)
Investment and other income		27	1,055	109	3,026
(Loss) income before provision for income taxes		(6,999)	(4,533)	(36,700)	20,434
Income tax (benefit) expense		(1,869)	(290)	(8,552)	8,173
Interest income, net					
Interest income, net					
Equity in losses from equity-method investments					
Investment and other losses					
Loss before provision for income taxes					
Income tax expense (benefit)					
Net (loss) income		(5,130)	(4,243)	(28,148)	12,261
Net loss					
Net loss					
Net loss					
Net loss attributed to non-controlling interest	Net loss attributed to non-controlling interest	264	280	439	532

Net loss attributed to non-controlling interest				
Net loss attributed to non-controlling interest				
Net (loss) income attributed to Douglas Elliman Inc.	$ (4,866)	$ (3,963)	$ (27,709)	$ 12,793
Net loss attributed to Douglas Elliman Inc.				
Net loss attributed to Douglas Elliman Inc.				
Net loss attributed to Douglas Elliman Inc.				
Per basic common share: Per basic common share:				
Per basic common share:				
Per basic common share:				
Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	$ (0.06)	$ (0.05)	$ (0.34)	$ 0.15
Net loss applicable to common shares attributed to Douglas Elliman Inc.				
Net loss applicable to common shares attributed to Douglas Elliman Inc.				
Net loss applicable to common shares attributed to Douglas Elliman Inc.				
Per diluted common share: Per diluted common share:				
Per diluted common share:				
Per diluted common share:				
Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	$ (0.06)	$ (0.05)	$ (0.34)	$ 0.15
Net loss applicable to common shares attributed to Douglas Elliman Inc.				
Net loss applicable to common shares attributed to Douglas Elliman Inc.				

Net loss applicable to common shares attributed to Douglas Elliman Inc.

The accompanying notes are an integral part of the condensed consolidated financial statements.

DOUGLAS ELLIMAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands, Except Share Amounts)
Unaudited

	Douglas Elliman Inc. Stockholders' Equity					
			Additional		Non-	
	Common Stock		Paid-In	Retained	controlling	
	Shares	Amount	Capital	Earnings	Interest	Total
Balance as of July 1, 2023	88,632,319	$ 886	$ 275,025	$(27,843)	$ 1,362	$249,430
	Douglas Elliman Inc. Stockholders' Equity					
	Douglas Elliman Inc. Stockholders' Equity					
	Douglas Elliman Inc. Stockholders' Equity					
			Additional Paid-In	Additional Paid-In		
	Common Stock		Additional Paid-In			
	Common Stock					
	Common Stock					
	Shares					
	Shares					
	Shares	Amount	Capital	Deficit	Interest	Total
Balance as of January 1, 2024						
Net loss Net loss	—	—	—	(4,866)	(264)	(5,130)
Restricted stock grants						
Restricted stock grants						
Restricted stock grants Restricted stock grants	50,000	1	(1)	—	—	—
Stock-based compensation Stock-based compensation	—	—	3,442	—	—	3,442
Balance as of September 30, 2023	88,682,319	$ 887	$ 278,466	$(32,709)	$ 1,098	$247,742
Stock-based compensation						

Stock-based compensation

Balance as of March 31, 2024
Balance as of March 31, 2024
Balance as of March 31, 2024

	Douglas Elliman Inc. Stockholders' Equity					
	Common Stock		Additional Paid-In	Retained	Non-controlling	
	Shares	Amount	Capital	Earnings	Interest	Total
Balance as of July 1, 2022	81,275,626	$ 813	$ 283,810	$ 9,252	$ 2,062	$ 295,937
Net income (loss)	—	—	—	(3,963)	(280)	(4,243)
Distributions and dividends on common stock ($0.05 per share)	—	—	—	(4,062)	—	(4,062)
Withholding of shares as payment of tax liabilities in connection with restricted stock vesting	(27,463)	—	(163)	—	—	(163)
Stock-based compensation	—	—	3,165	—	—	3,165
Balance as of September 30, 2022	81,248,163	$ 813	$ 286,812	$ 1,227	$ 1,782	$ 290,634

The accompanying notes are an integral part of the condensed consolidated financial statements.

	Douglas Elliman Inc. Stockholders' Equity					
	Common Stock		Additional Paid-In	Accumulated	Non-controlling	
	Shares	Amount	Capital	Deficit	Interest	Total
Balance as of January 1, 2023	80,881,022	$ 809	$ 273,111	$ (5,000)	$ 1,537	$ 270,457
Net loss	—	—	—	(27,709)	(439)	(28,148)
Distributions and dividends on common stock ($0.05 per share)	(372)	—	(4,222)	—	—	(4,222)
Restricted stock grants	3,585,000	36	(36)	—	—	—
Withholding of shares as payment of tax liabilities in connection with restricted stock vesting	(3,935)	—	(11)	—	—	(11)
Effect of stock dividend	4,220,604	42	(42)	—	—	—
Stock-based compensation	—	—	9,666	—	—	9,666
Balance as of September 30, 2023	88,682,319	$ 887	$ 278,466	$ (32,709)	$ 1,098	$ 247,742

	Douglas Elliman Inc. Stockholders' Equity

	Common Stock		Additional Paid-In	Retained	Non-controlling	
	Shares	Amount	Capital	Earnings	Interest	Total
Balance as of January 1, 2022	81,210,626	$ 812	$ 278,500	$ 622	$ 1,939	$ 281,873
Net income (loss)	—	—	—	12,793	(532)	12,261
Dividends on common stock ($0.15 per share)	—	—	—	(12,188)	—	(12,188)
Restricted stock grants	65,000	1	(1)	—	—	—
Withholding of shares as payment of tax liabilities in connection with restricted stock vesting	(27,463)	—	(163)	—	—	(163)
Stock-based compensation	—	—	8,476	—	—	8,476
Contributions from non-controlling interest	—	—	—	—	375	375
Balance as of September 30, 2022	81,248,163	$ 813	$ 286,812	$ 1,227	$ 1,782	$ 290,634

	Douglas Elliman Inc. Stockholders' Equity					
	Common Stock		Additional Paid-In	Accumulated	Non-controlling	
	Shares	Amount	Capital	Deficit	Interest	Total
Balance as of January 1, 2023	80,881,022	$ 809	$ 273,111	$ (5,000)	$ 1,537	$ 270,457
Net loss	—	—	—	(17,624)	(216)	(17,840)
Dividends on common stock ($0.05 per share)	—	—	(4,221)	—	—	(4,221)
Restricted stock grants	3,535,000	35	(35)	—	—	—
Effect of stock dividend	4,220,801	42	(42)	—	—	—
Stock-based compensation	—	—	2,823	—	—	2,823
Balance as of March 31, 2023	88,636,823	$ 886	$ 271,636	$ (22,624)	$ 1,321	$ 251,219

The accompanying notes are an integral part of the condensed consolidated financial statements.

DOUGLAS ELLIMAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
Unaudited

	Nine Months Ended September 30,	
	2023	2022

	Three Months Ended March 31,		Three Months Ended March 31,
	2024	2024	2023

Cash flows from operating activities:	Cash flows from operating activities:		
Net (loss) income		$ (28,148)	$ 12,261

Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Net loss			
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	6,031	6,033
Non-cash stock-based compensation expense	Non-cash stock-based compensation expense	9,666	8,476
Loss on sale of assets	Loss on sale of assets	37	11
Deferred income taxes	Deferred income taxes	(8,552)	193
Net gains on investment securities		(109)	(2,445)
Net losses on investment securities			
Equity in losses from equity-method investments	Equity in losses from equity-method investments	143	477
Distributions from equity-method investments		—	653
Non-cash lease expense			
Non-cash lease expense			
Non-cash lease expense	Non-cash lease expense	16,587	15,227
Provision for credit losses	Provision for credit losses	3,645	2,692

Provision for credit losses			
Provision for credit losses			
Changes in assets and liabilities:	Changes in assets and liabilities:		
Receivables			
Receivables			
Receivables	Receivables	(9,459)	(1,446)
Income taxes receivables, net	Income taxes receivables, net	1,393	(2,481)
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	9,168	(11,212)
Operating right-of-use assets and operating lease liabilities, net	Operating right-of-use assets and operating lease liabilities, net	(17,193)	(18,045)
Accrued salary and benefits	Accrued salary and benefits	(8,247)	(7,954)
Litigation settlement			
Other	Other	(2,735)	2,768
Net cash (used in) provided by operating activities		(27,773)	5,208
Net cash used in operating activities			
Cash flows from investing activities:	Cash flows from investing activities:		
Investments in equity-method investments		—	(300)
Distributions from equity-method investments		—	75
Purchase of debt securities			
Purchase of debt securities			
Purchase of debt securities	Purchase of debt securities	(25)	(701)

Proceeds from sale or liquidation of long-term investments	Proceeds from sale or liquidation of long-term investments	408	—
Purchase of equity securities	Purchase of equity securities	(300)	(1,575)
Purchase of long-term investments	Purchase of long-term investments	(190)	(959)
Capital expenditures	Capital expenditures	(5,380)	(6,207)
Net cash used in investing activities	Net cash used in investing activities	(5,487)	(9,667)
Cash flows from financing activities:	Cash flows from financing activities:		
Repayment of debt		—	(9,396)
Dividends on common stock	Dividends on common stock	(4,222)	(12,120)
Contributions from non-controlling interest		—	375
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting		(11)	—
Earn out payments		—	(1,600)
Dividends on common stock			
Dividends on common stock			
Net cash used in financing activities			
Net cash used in financing activities			
Net cash used in financing activities	Net cash used in financing activities	(4,233)	(22,741)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(37,493)	(27,200)
Cash, cash equivalents and restricted cash, beginning of period	Cash, cash equivalents and restricted cash, beginning of period	171,382	228,866

Cash, cash equivalents and restricted cash, end of period	Cash, cash equivalents and restricted cash, end of period	$133,889	$201,666

The accompanying notes are an integral part of the condensed consolidated financial statements.

DOUGLAS ELLIMAN INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation:

Douglas Elliman Inc. ("Douglas Elliman" or the "Company") is engaged in the real estate services and property technology investment business and is seeking to acquire or invest in additional real estate services and property technology, or PropTech, companies. The condensed consolidated financial statements of Douglas Elliman include the accounts of DER Holdings LLC and New Valley Ventures LLC ("New Valley Ventures"), directly and indirectly wholly owned subsidiaries of the Company. DER Holdings LLC owns Douglas Elliman Realty, LLC and Douglas Elliman of California, Inc., which are engaged in the residential real estate brokerage business with their subsidiaries. The operations of New Valley Ventures consist of minority investments in innovative and cutting-edge PropTech companies.

Certain references to "Douglas Elliman Realty" refer to the Company's residential real estate brokerage business, including the operations of Douglas Elliman Realty, LLC and Douglas Elliman of California Inc., unless otherwise specified.

The unaudited, interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and, in management's opinion, contain all adjustments, consisting only of normal recurring items, necessary for a fair statement of the results for the periods presented. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. References to U.S. GAAP issued by the Financial Accounting Standards Board ("FASB") are to the FASB Accounting Standards Codification, also referred to as the "Codification" or "ASC." These condensed consolidated financial statements should be read in conjunction with the combined consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the Securities and Exchange Commission ("SEC"). The condensed consolidated results of operations for interim periods should not be regarded as necessarily indicative of the results that may be expected for the entire year.

In presenting the condensed consolidated financial statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates.

(b) Principles of Consolidation:

The condensed consolidated financial statements include the assets, liabilities, revenues, expenses and cash flows of DER Holdings LLC and New Valley Ventures as well as all other entities in which Douglas Elliman has a controlling financial interest. All intercompany balances and transactions have been eliminated in the condensed consolidated financial statements.

When evaluating an entity for consolidation, Douglas Elliman first determines whether an entity is within the scope of the guidance for consolidation of variable interest entities ("VIE") and if it is deemed to be a VIE. If the entity is considered to be a VIE, Douglas Elliman determines whether it would be considered the entity's primary beneficiary. Douglas Elliman consolidates those VIEs for which it has determined that it is the primary beneficiary. Douglas Elliman will consolidate an entity that is not deemed a VIE upon a determination that it has a controlling financial interest. For entities where Douglas Elliman does not have a controlling financial interest, the investments in such entities are classified as available-for-sale securities or accounted for using the equity or cost method, as appropriate.

(Dollars in Thousands, Except Per Share Amounts)

(c) Estimates and Assumptions:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the near term include impairment charges and valuation of intangible assets. Actual results could differ from those estimates.

(d) (Loss) Earnings Loss Per Share ("EPS"):

The Company has restricted stock awards which will provide dividends at the same rate as paid on the common stock with respect to the shares underlying the restricted stock awards. These outstanding restricted stock awards represent participating securities under authoritative guidance. The participating securities holders do not participate in the Company's net losses. There were no outstanding non-participating securities during the three months ended March 31, 2024 and 2023, respectively. The Company paid a cash dividend during each of the quarters beginning with the quarter ended March 31, 2022 through March 31, 2023.As a result, in its calculation of basic EPS and diluted EPS for the three and nine months ended September 30, 2022, the Company adjusted its net income for the effect of these participating securities. There were no outstanding non-participating securities during the three and nine months ended September 30, 2023.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net (loss) income attributed to Douglas Elliman Inc.	$ (4,866)	$ (3,963)	$ (27,709)	$ 12,793
Income attributable to participating securities	—	(175)	(307)	(555)
Net (loss) income available to common stockholders attributed to Douglas Elliman Inc.	$ (4,866)	$ (4,138)	$ (28,016)	$ 12,238

Basic EPS is computed by dividing net (loss) income available to common stockholders attributed to Douglas Elliman Inc. by the weighted-average number of shares outstanding, which will include vested restricted stock.

Information concerning the Company's common stock has been adjusted to give retroactive effect to the 5% stock dividend distributed to Company stockholders on June 30, 2023. All per share per-share amounts and references to share amounts have been updated to reflect the retrospective effect of the stock dividend.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net loss attributed to Douglas Elliman Inc.	$ (41,475)	$ (17,624)

Income attributable to participating securities	—	(307)
Net loss available to common stockholders attributed to Douglas Elliman Inc.	$ (41,475)	$ (17,931)

Basic EPS is computed by dividing net loss available to common stockholders attributed to Douglas Elliman Inc. by the weighted-average number of shares outstanding, which will include vested restricted stock.

Basic and diluted EPS were calculated using the following shares of common stock for the periods presented below:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31,			
		March 31,			
		March 31,			
		2024			
		2024			
		2024			
Weighted-average shares for basic EPS					
Weighted-average shares for basic EPS					
Weighted-average shares for basic EPS	Weighted-average shares for basic EPS	82,199,757	81,622,347	82,196,583	81,574,063
Incremental shares related to non-vested restricted stock	Incremental shares related to non-vested restricted stock	—	—	—	37,882
Incremental shares related to non-vested restricted stock					
Incremental shares related to non-vested restricted stock					
Weighted-average shares for diluted EPS	Weighted-average shares for diluted EPS	82,199,757	81,622,347	82,196,583	81,611,945
Weighted-average shares for diluted EPS					
Weighted-average shares for diluted EPS					

(Dollars in Thousands, Except Per Share Amounts)

(e) Reconciliation of Cash, Cash Equivalents and Restricted Cash:

Restricted cash amounts included in current assets and other assets represent cash and cash equivalents required to be deposited into escrow for amounts required for letters of credit related to office leases, and certain deposit requirements for banking arrangements. The restrictions related to the letters of credit will remain in place for the duration of the respective lease. The restrictions related to the banking arrangements will remain in place for the duration of the arrangement. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables.

The components of "Cash, cash equivalents and restricted cash" in the condensed consolidated statements of cash flows were as follows:

			September 30, 2023		December 31, 2022
			March 31, 2024		
			March 31, 2024		
			March 31, 2024		
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$	126,340	$	163,859
Restricted cash and cash equivalents included in current assets	Restricted cash and cash equivalents included in current assets		5,011		4,985
Restricted cash and cash equivalents included in current assets					
Restricted cash and cash equivalents included in current assets					
Restricted cash and cash equivalents included in other assets					
Restricted cash and cash equivalents included in other assets					
Restricted cash and cash equivalents included in other assets	Restricted cash and cash equivalents included in other assets		2,538		2,538

Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$	133,889	$	171,382
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows					
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows					

(f) Goodwill and Other Intangible Assets:

Goodwill is evaluated and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually on an annual basis, as of October 1, or whenever the Company identifies certain triggering events or changes in business circumstances that would indicate the carrying value of the assets may not be recoverable. The Company follows *ASC 350, Intangibles – Goodwill and Other*, and subsequent updates including *ASU 2011-08, Testing Goodwill for Impairment* and *ASU 2017-14, Simplifying the Test for Goodwill Impairment*. The amendments permit entities to first perform a qualitative assessment to determine whether it is more likely than not reduce that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying value or chooses to bypass the optional qualitative assessment, the Company then assesses recoverability by comparing the fair value of the Company below reporting unit to its carrying amount. Events or circumstances that might indicate an interim evaluation amount; otherwise, no further impairment test would be required. The fair value of the intangible asset associated with the Douglas Elliman trademark is warranted include, among other things, unexpected adverse business conditions, macro determined using a "relief from royalty payments" method. This approach involves two steps: (i) estimating reasonable royalty rates for its trademark associated with the Douglas Elliman trademark and reporting unit specific economic factors (for example, interest rate (ii) applying these royalty rates to a net sales stream and foreign exchange rate fluctuations, and loss discounting the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of key personnel), supply costs, unanticipated competitive activities, and acts by governments and courts. the trademark.

In the three months quarterly period ended September 30, 2023 December 31, 2023, the Company utilized third-party valuation specialists to prepare a quantitative assessment of its goodwill and trademark intangible assets related to Douglas Elliman, based on the current market conditions in the residential real estate brokerage industry. While the The quantitative assessments did not result in impairment charges to goodwill or to the trademark intangible assets as of September 30, 2023 December 31, 2023. The Company performed a qualitative assessment for the three months ended March 31, 2024, which did not result in impairment charges related to its goodwill or trademark. If the Company could experience an impairment fails to achieve the financial projections used in the quantitative assessments of goodwill fair value and other intangible assets if current market conditions continue to deteriorate. Such situation deteriorate, additional impairment charges could then result in an future periods, and such impairment loss. charges could be material.

(g) Related Party Transactions:

Agreements with Vector Group Ltd. ("Vector Group") The Company paid Vector Group $1,050 and $3,150 $1,050 under the Transition Services Agreement during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and $452 $595 and $1,748 $562 under the Aircraft Lease Agreements during the three and nine months ended September 30, 2023 March 31, 2024 and $352 and $1,529 for the three and nine months ended September 30, 2022, 2023, respectively.

(Dollars in Thousands, Except Per Share Amounts)

Vector Group has agreed to indemnify the Company for certain tax matters under the Tax Disaffiliation Agreement. The Company received $581 as of September 30, 2022 and recorded $28 and $581 as a component of “Investment and other income” in its condensed combined consolidated statements of operations for three and nine months ended September 30, 2022 related to the tax indemnification and did not record any income for the three and nine months ended September 30, 2023 related to the tax indemnification.

Real estate commissions. Real estate commissions include commissions of approximately $104 and $946 for the three 1,224 and nine months ended September 30, 2023 $842 and $115 and $1,216 for the three and nine months ended September 30, 2022, March 31, 2024 and 2023, respectively, from projects where the Company has been engaged by certain developers as the sole broker or the co-broker for real estate development projects that Vector Group owns an interest in through its real estate venture investments.

(h) Investment and Other Income Losses:

Investment and other income losses consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net gains recognized on PropTech convertible trading debt securities	$ —	$ 1,110	$ 187	$ 1,785
Net gains (losses) recognized on long-term investments at fair value	27	(83)	(78)	660
Income related to Tax Disaffiliation indemnification	—	28	—	581
Investment and other income	$ 27	$ 1,055	$ 109	$ 3,026

	Three Months Ended March 31,	
	2024	2023
Net losses recognized on PropTech convertible trading debt securities	$ —	$ (352)
Net unrealized gains (losses) recognized on long-term investments at fair value	89	(102)
Net losses recognized on long-term investment securities without a readily determinable fair value that does not qualify for the NAV practical expedient.	(480)	—
Investment and other losses	$ (391)	$ (454)

(i) Restructuring:

Employee severance and benefits expensed for the three and nine months ended September 30, 2023 March 31, 2023 relate entirely to the reduction in staff and are cash charges. All of the amounts The amount expensed for the three and nine months ended September 30, 2023 are March 31, 2023 was $1,210 and was included in Restructuring expense in the Company's condensed consolidated statements of operations. The following table presents the changes in the employee severance and benefits liability under the Real Estate Brokerage segment restructuring plan for the nine three months ended September 30, 2023 March 31, 2024:

		Employee Severance and Benefits
Severance liability balance at January 1, 2023 January 1, 2024	$	— 767
Severance expense		1,932 —
Severance payments		(1,037) (659)
Severance liability at September 30, 2023 March 31, 2024	$	895 108

(j) <u>Other Comprehensive Income</u>:

The Company does not have any activity that results in Other Comprehensive Income; therefore, no statement of Comprehensive Income is included in the condensed consolidated financial statements.

(k) <u>Subsequent Events</u>:

The Company has evaluated subsequent events through November 9, 2023, the date the financial statements were issued. See Note 7. “Contingencies” for additional information.

(l) <u>New Accounting Pronouncements</u>:

Accounting Standards Updates (“ASUs”) adopted in 2023:

In October 2021, the FASB issued *ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The ASU requires that an acquirer recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of this update did not have a material impact on the Company’s condensed consolidated financial statements.

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(Dollars in Thousands, Except Per Share Amounts)
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(k) <u>Subsequent Events</u>:

The Company has evaluated subsequent events through May 10, 2024, the date the financial statements were issued. See Note 7. “Contingencies” for additional information.

(l) <u>New Accounting Pronouncements</u>:

ASUs to be adopted in future periods:

In June 2022, December 2023, the FASB issued *ASU 2022-03, Fair Value Measurement 2023-09, Income Taxes (Topic 820) 740), Fair Value Measurement of Equity Securities Subject Improvements to Contractual Sale Restrictions. Income Tax Disclosures.* The ASU clarifies requires that all public entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The ASU is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance in Topic 820, Fair Value Measurement, when measuring on its combined consolidated financial statements.

(Dollars in Thousands, Except Per Share Amounts)

In November 2023, the fair value of an equity security subject FASB issued *ASU 2023-07, Segment Reporting (Topic 280), Improvements* to *contractual restrictions* *Reportable Segment Disclosures.* The ASU requires that prohibit all public entities improve the sale of an equity security. The standard also requires certain reportable segment disclosure primarily through enhanced disclosures for equity securities that are subject to contractual restrictions. about significant segment expenses. The ASU is effective for fiscal years beginning after December 15, 2023, including and interim periods within those fiscal years. Adoption beginning after December 15, 2024. The Company is currently evaluating the impact of this update did not have a material impact the new guidance on the Company's condensed its combined consolidated financial statements.

SEC Proposed Rule Changes:

On March 21, 2022 March 6, 2024, the SEC proposed passed rule changes that would will require registrants to provide certain climate-related information in their registration statements and annual reports. The proposed rules would require information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The required information about climate-related risks would will also include disclosure of a registrant's greenhouse gas emissions, which have become a commonly used metric to assess a registrant's exposure to such risks. emissions. In addition, under the proposed rules will require registrants to present certain climate-related financial metrics would be required in a registrant's their audited financial statements. On April 4, 2024, the SEC voluntarily stayed the rules pending the resolution of certain legal challenges. The Company is currently evaluating the impact of the proposed rule changes.

2. REVENUE RECOGNITION

Disaggregation of Revenue

In the following tables, revenue is disaggregated by major services line and primary geographical market:

	Three Months Ended September 30, 2023				
	New York City	Northeast	Southeast	West	Total
Revenues:					
Commission and other brokerage income - existing home sales	$ 70,997	$ 52,138	$ 57,261	$ 45,010	$ 225,406
Commission and other brokerage income - development marketing	7,453	50	5,616	730	13,849
Property management revenue	8,509	188	—	—	8,697
Escrow and title fees	258	158	—	3,180	3,596
Total revenue	$ 87,217	$ 52,534	$ 62,877	$ 48,920	$ 251,548

	Three Months Ended September 30, 2022				
	New York City	Northeast	Southeast	West	Total
Revenues:					
Commission and other brokerage income - existing home sales	$ 95,854	$ 50,811	$ 50,426	$ 43,624	$ 240,715
Commission and other brokerage income - development marketing	17,060	—	1,820	382	19,262

Property management revenue	8,394	147	—	—	8,541
Escrow and title fees	792	322	—	2,956	4,070
Total revenue	$ 122,100	$ 51,280	$ 52,246	$ 46,962	$ 272,588

	Three Months Ended March 31, 2024				
	New York City	Northeast	Southeast	West	Total
Revenues:					
Commission and other brokerage income - existing home sales	$ 49,240	$ 34,586	$ 57,630	$ 40,253	$ 181,709
Commission and other brokerage income - development marketing	4,719	65	1,325	447	6,556
Property management revenue	8,846	201	—	—	9,047
Escrow and title fees	211	149	—	2,567	2,927
Total revenue	$ 63,016	$ 35,001	$ 58,955	$ 43,267	$ 200,239

	Three Months Ended March 31, 2023				
	New York City	Northeast	Southeast	West	Total
Revenues:					
Commission and other brokerage income - existing home sales	$ 57,798	$ 33,105	$ 54,454	$ 37,899	$ 183,256
Commission and other brokerage income - development marketing	7,763	619	10,060	338	18,780
Property management revenue	8,580	197	—	—	8,777
Escrow and title fees	399	210	—	2,560	3,169
Total revenue	$ 74,540	$ 34,131	$ 64,514	$ 40,797	$ 213,982

	Nine Months Ended September 30, 2023				
	New York City	Northeast	Southeast	West	Total
Revenues:					
Commission and other brokerage income - existing home sales	$ 211,243	$ 134,191	$ 178,604	$ 133,004	$ 657,042
Commission and other brokerage income - development marketing	22,116	911	21,893	1,818	46,738
Property management revenue	26,284	565	—	—	26,849
Escrow and title fees	1,183	595	—	9,035	10,813
Total revenue	$ 260,826	$ 136,262	$ 200,497	$ 143,857	$ 741,442

Contract Balances

	Nine Months Ended September 30, 2022				
	New York City	Northeast	Southeast	West	Total
Revenues:					

(Dollars in Thousands, Except Per Share Amounts)

Commission and other brokerage income - existing home sales	$ 295,898	$ 163,602	$ 223,135	$ 158,088	$ 840,723
Commission and other brokerage income - development marketing	46,237	—	14,004	2,953	63,194
Property management revenue	27,328	458	—	—	27,786
Escrow and title fees	2,699	1,029	—	10,416	14,144
Total revenue	$ 372,162	$ 165,089	$ 237,139	$ 171,457	$ 945,847

The following table provides information about contract assets and contract liabilities from development marketing and commercial leasing contracts with customers:

	March 31, 2024	December 31, 2023
Receivables, which are included in receivables	$ 1,962	$ 1,846
Contract assets, net, which are included in other current assets	8,447	6,030
Contract assets, net, which are in other assets	36,511	36,040
Payables, which are included in commissions payable	1,442	1,357
Contract liabilities, which are in current liabilities	14,081	11,234
Contract liabilities, which are in other liabilities	54,458	51,178

The Company recognized revenue of $1,163 ($825 of consulting, administration and net commissions) for the three months ended March 31, 2024, that were included in the contract liabilities balances at December 31, 2023. The Company recognized revenue of $3,794 ($1,614 of consulting, administration and net commissions) for the three months ended March 31, 2023, that were included in the contract liabilities balances at December 31, 2022.

Contract Balances

The following table provides information about contract assets and contract liabilities from development marketing and commercial leasing contracts with customers:

	September 30, 2023	December 31, 2022
Receivables, which are included in receivables	$ 1,979	$ 3,063
Contract assets, net, which are included in other current assets	5,584	4,453
Contract assets, net, which are in other assets	34,099	38,913
Payables, which are included in other current liabilities	1,448	2,291
Contract liabilities, which are in current liabilities	10,500	8,222
Contract liabilities, which are in other liabilities	50,178	54,706

The Company recognized revenue of $7,688 and $14,085 for the three and nine months ended September 30, 2023, respectively, that were included in the contract liabilities balances at December 31, 2022. The Company recognized revenue of $623 and $5,978 for the three and nine months ended September 30, 2022, respectively, that were included in the contract liabilities balances at December 31, 2021.

3. CURRENT EXPECTED CREDIT LOSSES

Real estate broker agent receivables: Douglas Elliman Realty is exposed to credit losses for various amounts due from real estate agents, which are included in Other current assets on the condensed consolidated balance sheets, net of an allowance for credit losses. The Company estimates its allowance for credit losses on receivables from agents based on an evaluation of aging, agent sales in pipeline, any security, specific exposures, historical experience of collections from the individual agents, and current and expected future market trends. The Company estimated that the credit losses for these receivables were $12,666 $5,823 and $10,916 $5,575 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table summarizes changes in the allowance for credit losses for the nine three months ended September 30, 2023 March 31, 2024:

		January 1, 2023	Current Period Provision	Write-offs	Recoveries	September 30, 2023	January 1, 2024	Current Period Provision	Write-offs	Recoveries	March 31, 2024
	January 1, 2024										
Allowance for credit losses:	Allowance for credit losses:										
Real estate broker agent receivables	Real estate broker agent receivables	$ 10,916	$ 3,645 (1)	$ 1,895	$ —	$ 12,666					
Real estate broker agent receivables											
Real estate broker agent receivables											

(1) The current period provision for the real estate broker agent receivables is included in "General and administrative expenses" in the Company's condensed consolidated statements of operations.

The following table summarizes changes in the allowance for credit losses for the nine three months ended September 30, 2022 March 31, 2023:

		January 1, 2022	Current Period Provision	Write-offs	Recoveries	September 30, 2022	January 1, 2023	Current Period Provision	Write-offs	Recoveries	March 31, 2023
	January 1, 2023										

Allowance for credit losses:	Allowance for credit losses:					
Real estate broker agent receivables	Real estate broker agent receivables	$ 8,607	$ 2,692	$ 736 (1)	$ —	$ 10,563
Real estate broker agent receivables						
Real estate broker agent receivables						

(1) The current period provision for the real estate broker agent receivables is included in "General and administrative expenses" in the Company's condensed consolidated statements of operations.

DOUGLAS ELLIMAN INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

4. LEASES

The Company has operating leases for corporate and sales offices and equipment. The components of lease expense, which were included in Sales and marketing expense on the condensed consolidated statements of operations, were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
	March 31,				March 31,
	2024			2024	2023
Operating lease cost	Operating lease cost	$ 8,539	$ 8,365	$ 25,184	$ 24,834
Short-term lease cost	Short-term lease cost	296	269	948	807

Variable lease cost	Variable lease cost	1,161	1,106	3,291	3,034
Less: Sublease income	Less: Sublease income	(189)	(147)	(498)	(420)
Total lease cost	Total lease cost	$9,807	$9,593	$28,925	$28,255

Supplemental cash flow information related to leases was as follows:

		Nine Months Ended September 30,			
		2023	**2022**		
Three Months Ended March 31,					**Three Months Ended March 31,**
2024				**2024**	**2023**
Cash paid for amounts included in measurement of lease liabilities:	Cash paid for amounts included in measurement of lease liabilities:				
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from operating leases	Operating cash flows from operating leases	$25,861	$27,766		
Right-of-use assets obtained in exchange for lease obligations:	Right-of-use assets obtained in exchange for lease obligations:				
Right-of-use assets obtained in exchange for lease obligations:					

Right-of-use assets obtained in exchange for lease obligations:			
Operating leases			
Operating leases			
Operating leases	Operating leases	10,881	12,065

Supplemental balance sheet information related to leases was as follows:

		September 30, 2023	December 31, 2022		
		March 31,			
		March 31,			
		March 31,		December 31,	
	2024			2024	2023
Weighted average remaining lease term:	Weighted average remaining lease term:				
Operating leases					
Operating leases					
Operating leases	Operating leases	6.53	7.03	6.30	6.38
Weighted average discount rate:	Weighted average discount rate:				
Weighted average discount rate:					
Weighted average discount rate:					
Operating leases					
Operating leases					
Operating leases	Operating leases	8.62 %	8.73 %	8.61 %	8.63 %

As of September 30, 2023 March 31, 2024, maturities of lease liabilities were as follows:

	Operating Leases
	Operating Leases
	Operating Leases

		Operating Leases	
Period Ending December 31:	Period Ending December 31:		
Remainder of 2023		$	8,874
2024			32,456
Period Ending December 31:			
Period Ending December 31:			
Remainder of 2024			
Remainder of 2024			
Remainder of 2024			
2025			
2025			
2025	2025		27,914
2026	2026		25,482
2026			
2026			
2027			
2027			
2027	2027		22,461
2028	2028		19,403
2028			
2028			
2029			
2029			
2029			
Thereafter			
Thereafter			
Thereafter	Thereafter		46,053
Total lease payments	Total lease payments		182,643
Total lease payments			
Total lease payments			
Less imputed interest			
Less imputed interest			
Less imputed interest	Less imputed interest		(46,119)
Total	Total	$	136,524
Total			
Total			

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
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As of September 30, 2023 March 31, 2024, the Company had no undiscounted lease payments relating to operating leases for office space and equipment that have not yet commenced.

5. LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

		September 30, 2023	December 31, 2022
	March 31, 2024	March 31, 2024	December 31, 2023
PropTech convertible trading debt securities	PropTech convertible trading debt securities	$ 1,321	$ 2,957
Long-term investment securities at fair value (1)	Long-term investment securities at fair value (1)	2,874	3,262
PropTech investments at cost	PropTech investments at cost	9,164	8,588
PropTech investments at equity method		588	—
PropTech investments under equity method			
Total investments	Total investments	13,947	14,807
Less PropTech current convertible trading debt securities (2)	Less PropTech current convertible trading debt securities (2)	230	1,875

Less PropTech investments accounted for under the equity method	588	—
Less PropTech investments accounted for under the equity method (3)		
Total long-term investments Total long-term investments	$ 13,129	$ 12,932

(1) These assets are measured at net asset value (“NAV”) as a practical expedient under ASC 820.

(2) These amounts are included in Other “Other current assets assets” on the condensed consolidated balance sheets.

(3) These amounts are included in “Equity-method investments” on the condensed consolidated balance sheets.

Net realized and unrealized gains losses recognized on long-term investment securities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net realized gains recognized on PropTech convertible trading debt securities	$ —	$ 1,110	$ 187	$ 1,785
Net unrealized gains (losses) recognized on long-term investments at fair value	27	(83)	(78)	660
Net realized and unrealized gains recognized on long-term investment securities	$ 27	$ 1,027	$ 109	$ 2,445

	Three Months Ended March 31,	
	2024	2023
Net realized losses recognized on PropTech convertible trading debt securities	$ —	$ (352)
Net unrealized gains (losses) recognized on long-term investments at fair value	89	(102)
Net losses recognized on long-term investment securities without a readily determinable fair value that does not qualify for the NAV practical expedient	(480)	—
Net realized and unrealized losses recognized on long-term investment securities	$ (391)	$ (454)

(a) PropTech Convertible Trading Debt Securities:

These securities are classified as trading debt securities and are accounted for at fair value. The maturities of all remaining convertible notes range from December 2023 to note matures in February 2025.

(b) Long-Term Investment Securities at Fair Value:

(Dollars in Thousands, Except Per Share Amounts)

The following is a summary of unrealized gains (losses) recognized in net income loss on long-term investment securities at fair value during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net unrealized gains (losses) recognized on long-term investment securities	$ 27	$ (83)	$ (78)	$ 660

	Three Months Ended March 31,	
	2024	2023
Net unrealized gains (losses) recognized on long-term investment at fair value	$ 89	$ (102)

The Company has unfunded commitments of $895 $810 related to long-term investment securities at fair value as of September 30, 2023 March 31, 2024.

(c) Equity Securities Without Readily Determinable Fair Values That Do Not Qualify for the NAV Practical Expedient

Equity securities without readily determinable fair values that do not qualify for the NAV practical expedient consisted of investments in various limited liability companies at September 30, 2023 as of March 31, 2024. During the nine months ended September 30, 2023, New Valley Ventures invested $250 into one new PropTech venture and $50 into an existing PropTech venture. The total carrying value of equity securities without readily determinable fair values that do not qualify for the NAV practical expedient was $9,164 $8,399 as of September 30, 2023. No March 31, 2024 and $8,888 at December 31, 2023, respectively. The Company recorded an impairment or other adjustments related to observable price changes in orderly transactions for identical or similar investments were identified of $489 for the nine three months ended September 30, 2023 March 31, 2024. The impairment was included in “Investment and other losses” on the condensed consolidated statements of operations.

6. EQUITY METHOD INVESTMENTS

Equity method investments consisted of the following:

	September 30, 2023	December 31, 2022
Ancillary services ventures	$ 1,984	$ 1,629

	March 31, 2024	December 31, 2023
Ancillary services ventures	$ 1,950	$ 1,960

At September 30, 2023 March 31, 2024, the Company's ownership percentages in these investments ranged from 10.9% 5.9% to 50.0%; therefore, the Company accounts for these investments under the equity method of accounting.

VIE Consideration:

The Company has determined that the Company is not the primary beneficiary of any of its equity method investments because it does not control the activities that most significantly impact the economic performance of each investment. The Company determined that the entities were VIEs but the Company was not the primary beneficiary. Therefore, the Company's equity method investments have been accounted for under the equity method of accounting.

In July 2023, Douglas Elliman Realty entered into an agreement to acquire a 50% interest in ClearPoint Mortgage, LLC. The joint venture plans to operate a mortgage brokerage business in the state of Florida. The venture is a VIE; however Douglas Elliman Realty is not the primary beneficiary. Douglas Elliman Realty accounts for this investment under the equity method of accounting. Douglas Elliman Realty has no exposure to loss as a result of its investment in ClearPoint Mortgage, LLC as of September 30, 2023.

Maximum Exposure to Loss:

The Company's maximum exposure to loss from its equity method investments consists of the net carrying value of the investments adjusted for any future capital commitments and/or guarantee arrangements. The maximum exposure to loss was $1,984 1,950 as of September 30, 2023 March 31, 2024.

7. CONTINGENCIES

The Company is involved in litigation through the normal course of its business. The majority of claims are covered by the Company's insurance policies in excess of any applicable retention. Some Other claims are may not be covered by the Company's insurance policies. The Company believes that the resolution of ordinary course matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

On October 31, 2023, individual plaintiffs filed an action on behalf of a putative national class of home sellers from October 2019 through the present in the Western District of Missouri against the National Association of Realtors ("NAR") and certain real estate brokerage firms, including the Company, alleging anticompetitive behavior in violation of federal antitrust laws arising from the NAR's requirement that sellers' agents for Multiple Listing Service ("MLS") listed properties offer to pay a portion of commissions received on the sale of such properties to buyers' agents (the *Gibson* case). Also, on

On November 2, 2023, additional individual plaintiffs filed an action on behalf of a putative national class of home buyers from December 1996 through the present in the Northern District of Illinois against certain real estate brokerage firms, including the Company, alleging anticompetitive behavior, similar to the *Gibson* case, in violation of federal antitrust laws, state antitrust and consumer protection laws, as well as asserting an unjust enrichment claim (the *Batton* case).

On November 8, 2023, additional individual plaintiffs filed an action on behalf of a putative class of home sellers in Manhattan from November 2019 through the present in the Southern District of New York against certain real estate brokerage firms, including the Company, alleging anticompetitive behavior, similar to the Gibson case, in violation of federal antitrust and state antitrust laws, as well as asserting an unjust enrichment claim (the *March* case).

On December 27, 2023, individual plaintiffs filed an action on behalf of a putative national class of home sellers (with certain markets excluded) from December 2019 through present in the Western District of Missouri against certain real estate brokerage firms, including the Company and Douglas Elliman Realty, LLC, alleging anticompetitive behavior, similar to the *Gibson* case, in violation of federal antitrust laws (the *Umpa* case). On April 23, 2024, the District Court in the Western District of Missouri consolidated the *Umpa* case into the *Gibson* case.

On December 29, 2023, individual plaintiffs filed an action on behalf of a putative class of home sellers in certain parts of Brooklyn from January 2020 through present in the Eastern District of New York against certain real estate brokerage firms, including the Company, alleging anticompetitive behavior, similar to the *March* case, in violation of federal antitrust and state antitrust laws. On January 18, 2024, the case was voluntarily dismissed and refiled in the Southern District of New York (the *Friedman* case).

On January 15, 2024, an individual plaintiff filed an action on behalf of a putative class of home sellers in Nevada from January 2020 through the present in the District of Nevada against certain real estate trade associations and MLSs, alleging anticompetitive behavior, similar to the *Gibson* case, in violation of federal antitrust and state unfair trade practices laws (the *Whaley* case). On January 25, 2024, the plaintiff filed an amended complaint that added one of the Company's brokerage subsidiaries, among other real estate brokerage firms, as a defendant in the action.

On February 16, 2024, individual plaintiffs filed an action on behalf of a putative class of home sellers in Nevada from February 2020 through the present in the District of Nevada against certain real estate brokerage firms, including the Company and Douglas Elliman Realty, LLC, alleging anticompetitive behavior, similar to the *Gibson* case, in violation of federal antitrust and state unfair trade practices laws (the *Boykin* case). On March 20, 2024, the District Court in the District of Nevada administratively closed the *Boykin* case and consolidated it into the *Whaley* case.

Multidistrict Litigation. On December 27, 2023, the *Gibson* and *Umpa* plaintiffs moved to transfer and centralize nine actions, including the *Gibson*, *Umpa*, and *March* cases in the Western District of Missouri. In response, NAR moved to consolidate all real estate commission antitrust cases, including all of the cases that the *Gibson* and *Umpa* plaintiffs sought to consolidate, as well as *Batton*, *Friedman*, and *Boykin*, and several other actions in which the Company is not named as a defendant, in the Northern District of Illinois. Many of the real estate brokerage firms named as defendants, including the Company, opposed plaintiffs' motion to transfer and centralize the antitrust actions, and nearly all, if not all, objected to centralization before Judge Bough in the Western District of Missouri. The Judicial Panel on Multidistrict Litigation denied the motion on March 28, 2024, with leave to refile at later date.

On April 26, 2024, the Company entered into a settlement agreement (the "Settlement Agreement") to resolve, on a nationwide basis, the *Gibson* and *Umpa* cases (the "Lawsuits"). On April 30, 2024, the Court in the now-consolidated *Gibson* case (which includes the *Umpa* case) preliminarily approved the settlement, preliminarily certified the proposed settlement class, and ordered that the final approval hearing for the settlement would take place no later than November 26, 2024.

The settlement resolves all claims on a nationwide basis by the plaintiffs and proposed settlement class membersin the Lawsuits,which includes, but is not limited to, all claims concerning brokerage commissions by the proposed settlement class members that were asserted in other lawsuits against the Company and its subsidiaries (collectively, the "Claims"), and releases the Company, its subsidiaries, and affiliated agents from all Claims. The settlement is not an admission of liability, nor does the Company concede or validate any of the claims asserted against it.

Under the Settlement Agreement, the Company agreed to pay, into an escrow fund, $7,750 within 30 business days of preliminary approval of the settlement by the court (which preliminary approval was granted on April 30, 2024), as well as two $5,000 contingent payments subject to certain financial contingencies through December 31, 2027 (collectively, the “Settlement Amount”). The contingent payments may be accelerated under certain circumstances. The Company may recognized an expense of $17,750 in the three months ended March 31, 2024.

In addition, the Company agreed to make certain changes to its business practices and emphasize certain practices that have been a part of Douglas Elliman’s longstanding policies and practices, including: reminding its brokerages and agents that the Company has no rule requiring agents to make or accept offers of compensation; requiring its brokerages and agents to clearly disclose to clients that commissions are not set by law and are fully negotiable; prohibiting its brokerages and buyer agents from claiming buyer agent services are free; requiring its brokerages and agents to disclose to the buyer the listing broker’s offer of compensation for prospective buyers’ agents as soon as possible; prohibiting its brokerages and agents from using any technology (or manual methods) to sort listings by offers of compensation, unless requested by the client; reminding its brokerages and agents of their obligation to show properties regardless of compensation for buyers’ agents for properties that meet the buyer’s priorities; and developing training materials for its brokerages and agents that support all the practice changes outlined in the injunctive relief.

The Settlement Agreement remains subject to final court approval and will, if approved, become involved in additional litigation or other legal proceedings concerning the same or similar claims. effective thereafter.

Litigation is subject to uncertainty and it is possible that there could be adverse developments in pending cases. cases or that more cases, including antitrust lawsuits, could be commenced. With the commencement of any new case, the defense costs and the risks relating to the unpredictability of litigation increase. Management reviews on a quarterly basis with counsel all pending litigation and evaluates the probability of a loss being incurred and whether an estimate can be made of the possible loss or range of loss that could result from an unfavorable outcome. An unfavorable outcome or settlement of pending litigation could encourage the commencement of additional litigation. The Company is unable to reasonably estimate the financial impact of these litigations. The Company’s consolidated financial position, results of operations or cash flows could be materially adversely affected from an unfavorable outcome in, or settlement of, any of these matters.

Accounting Policy. The Company and its subsidiaries record provisions in their consolidated financial statements for pending litigation when they determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur: occur, other than with respect to the Lawsuits: (i) management has concluded that it is not probable that a loss has been incurred in any of pending cases; or (ii) management is unable to reasonably estimate the possible loss or range of loss that could result from an unfavorable outcome of any pending cases and, therefore, management has not provided any amounts in the condensed consolidated financial statements for unfavorable outcomes, if any.

8. INCOME TAXES

The Company’s income tax (benefit) expense consisted of the following:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
(Loss) income before provision for income taxes	$ (6,999)	$ (4,533)	$ (36,700)	$ 20,434
Income tax (benefit) expense using estimated annual effective income tax rate	(1,631)	(1,814)	(8,552)	8,173
Changes in effective tax rates	(238)	1,524	—	—

(Dollars in Thousands, Except Per Share Amounts)

Income tax (benefit) expense	$ (1,869)	$ (290)	$ (8,552)	$ 8,173

8. INCOME TAXES

ASC 740, Income Taxes, requires the Company to establish a valuation allowance to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more likely than not that some portion or all the deferred tax assets will not be realized. If such determination is made and future losses are incurred over the period in which the net deferred tax assets are deductible, the Company believes it will be more likely than not that the benefits of these deductible differences will not be realized, and as a result will be required to maintain a valuation allowance for the full amount of the deferred tax assets. During the three months ending March 31, 2024, the Company analyzed the likelihood of utilizing its deferred tax assets and determined it will be more likely than not that the benefits of these deductible differences will not be realized, and as a result established a valuation allowance for the full amount of the deferred tax assets. The Company's income tax expense (benefit) and valuation allowance consisted of the following:

	Three Months Ended March 31,	
	2024	**2023**
Loss before provision for income taxes	$ (40,490)	$ (23,230)
Income tax expense (benefit)	218	(5,390)
Change in prior year valuation allowance	977	—
Income tax expense (benefit)	$ 1,195	$ (5,390)

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities subject to fair value measurements were as follows:

	Fair Value Measurements as of March 31, 2024
	Fair Value Measurements as of March 31, 2024
	Fair Value Measurements as of March 31, 2024
Description	
Description	
Description	
Assets:	
Assets:	
Assets:	
Money market funds (1)	
Money market funds (1)	
Money market funds (1)	

U.S. treasury bills (2)
U.S. treasury bills (2)
U.S. treasury bills (2)
Certificates of deposit (3)
Certificates of deposit (3)
Certificates of deposit (3)
PropTech convertible trading debt securities
PropTech convertible trading debt securities
PropTech convertible trading debt securities
Long-term investments
Long-term investments
Long-term investments
Long-term investment securities at fair value (4)
Long-term investment securities at fair value (4)
Long-term investment securities at fair value (4)

	Fair Value Measurements as of September 30, 2023			
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (1)	$ 66,079	$ 66,079	$ —	$ —
U.S. treasury bills (2)	50,525	50,525	—	—
Certificates of deposit (3)	507	—	507	—
PropTech convertible trading debt securities	230	—	—	230
Long-term investments				
PropTech convertible trading debt securities	1,091	—	—	1,091
Long-term investment securities at fair value (4)	2,874	—	—	—
Total assets				
Total long-term investments	3,965	—	—	1,091

Total assets	Total assets	$ 121,306	$ 116,604	$ 507	$ 1,321

Total assets

Nonrecurring fair value measurements

Nonrecurring fair value measurements

Nonrecurring fair value measurements

Long-term investments (5)	$
Long-term investments (5)	$
Long-term investments (5)	$

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(1) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets, except for $5,011 $6,079 that is included in current restricted cash and cash equivalents and $2,538 that is included in non-current restricted assets within Other assets.

(2) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets.

(3) Amounts included in current restricted Other assets on the condensed consolidated balance sheets.

(4) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy.

	Fair Value Measurements as of December 31, 2022			
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (1)	$ 153,941	$ 153,941	$ —	$ —
Certificates of deposit (2)	569	—	569	—
PropTech convertible trading debt securities	1,875	—	—	1,875
Long-term investments				
PropTech convertible trading debt securities	1,082	—	—	1,082
Long-term investment securities at fair value (3)	3,262	—	—	—
Total long-term investments	4,344	—	—	1,082
Total assets	$ 160,729	$ 153,941	$ 569	$ 2,957

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(1) (5) Amounts Long-term investments with a carrying amount of $489 were written down to their fair value of $0, resulting in an impairment charge of $489, which was included in Cash and cash equivalents on the condensed consolidated balance sheets, except for $4,985 that is included in current restricted assets and $2,538 that

(Dollars in Thousands, Except Per Share Amounts)

is included in non-current restricted assets.

(2) Amounts included in current restricted assets and non-current restricted assets on the condensed consolidated balance sheets.

(3) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. earnings.

	Fair Value Measurements as of December 31, 2023			
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (1)	$ 59,595	$ 59,595	$ —	$ —
U.S. treasury bills (2)	51,200	51,200	—	—
Certificates of deposit (3)	507	—	507	—
Long-term investments				
PropTech convertible trading debt securities	1,162	—	—	1,162
Long-term investment securities at fair value (4)	2,821	—	—	—
Total long-term investments	3,983	—	—	1,162
Total assets	$ 115,285	$ 110,795	$ 507	$ 1,162

(1) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets, except for $7,171 that is included in current restricted assets and $2,538 that is included in non-current restricted assets within Other assets.

(2) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets.

(3) Amounts included in Other assets on the condensed consolidated balance sheets.

(4) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy.

The fair value of the Level 2 certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is the rate offered by the financial institution.

The fair values of the Level 3 PropTech convertible trading debt securities were derived using a discounted cash flow model utilizing a probability-weighted expected return method based on the probabilities of different potential outcomes for the convertible trading debt securities.

The long-term investments are based on NAV per share provided by the partnerships based on the indicated market value of the underlying assets or investment portfolio. In accordance with Subtopic 820-10, these investments are not classified under the fair value hierarchy disclosed above because they are measured at fair value using the NAV practical expedient.

(Dollars in Thousands, Except Per Share Amounts)

The unobservable inputs related to the valuations of the Level 3 assets and liabilities were as follows at September 30, 2023 as of March 31, 2024:

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at September 30, 2023		Valuation Technique	Unobservable Input	Range (Actual)
PropTech convertible trading debt securities	$	1,321	Discounted cash flow	Interest rate	4% and 5%
				Maturity	Dec 2023 - Feb 2025
				Volatility	56.9% - 76.2%
				Discount rate	33.62% - 52.51%

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at March 31, 2024		Valuation Technique	Unobservable Input	Range (Actual)
PropTech convertible trading debt securities	$	1,162	Discounted cash flow	Interest rate	5%
				Maturity	Feb 2025
				Volatility	40.25%
				Discount rate	30.37%

The unobservable inputs related to the valuations of the Level 3 assets and liabilities were as follows at December 31, 2022 as of December 31, 2023:

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2022		Valuation Technique	Unobservable Input	Range (Actual)
PropTech convertible trading debt securities	$	2,957	Discounted cash flow	Interest rate	4% and 8%
				Maturity	Mar 2023 - Feb 2025
				Volatility	60.7% - 103.3%
				Discount rate	29.39% - 186.15%

	Quantitative Information about Level 3 Fair Value Measurements
	Fair Value at

	December 31, 2023	Valuation Technique	Unobservable Input	Range (Actual)
PropTech convertible trading debt securities	$ 1,162	Discounted cash flow	Interest rate	5%
			Maturity	Feb 2025
			Volatility	40.25%
			Discount rate	30.37%

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record assets and liabilities at fair value on a nonrecurring basis. Generally, assets and liabilities are recorded at fair value on a nonrecurring basis as a result because of impairment charges. The Company had no nonrecurring nonfinancial assets subject to fair value measurements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

DOUGLAS ELLIMAN INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

10. SEGMENT INFORMATION

The Company's business segments were Real Estate Brokerage and Corporate and Other. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Financial information for the Company's operations before taxes and non-controlling interests for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

Real Estate Brokerage	Real Estate Brokerage	Corporate and Other	Total

	Real Estate Brokerage	Corporate and Other	Total
Three months ended September 30, 2023			
Three months ended March 31, 2024			
Three months ended March 31, 2024			
Three months ended March 31, 2024			
Revenues Revenues	$ 251,548	$ —	$251,548
Operating loss	(1,992) (1)	(6,829)	(8,821)
Adjusted EBITDA attributed to Douglas Elliman (2)	1,535	(4,562)	(3,027)

Depreciation and amortization		1,999	—	1,999
<u>Three months ended September 30, 2022</u>				
Revenues	Revenues	$ 272,588	$ —	$272,588
Operating income (loss)		1,503	(6,689)	(5,186)
Adjusted EBITDA attributed to Douglas Elliman (2)		5,067	(4,943)	124
Depreciation and amortization		1,968	—	1,968
<u>Nine months ended September 30, 2023</u>				
Revenues	Revenues	$ 741,442	$ —	$741,442
Operating loss	Operating loss	(20,349) [3]	(20,577)	(40,926)
Adjusted EBITDA attributed to Douglas Elliman (2)	Adjusted EBITDA attributed to Douglas Elliman (2)	(8,968)	(14,266)	(23,234)
Depreciation and amortization	Depreciation and amortization	6,031	—	6,031
Capital expenditures	Capital expenditures	5,380	—	5,380
<u>Nine months ended September 30, 2022</u>				
<u>Three months ended March 31, 2023</u>				
<u>Three months ended March 31, 2023</u>				
<u>Three months ended March 31, 2023</u>				
Revenues	Revenues	$ 945,847	$ —	$945,847
Operating income (loss)		37,619	(20,298)	17,321
Revenues				
Revenues				
Operating loss				

Adjusted EBITDA attributed to Douglas Elliman (2)	Adjusted EBITDA attributed to Douglas Elliman (2)	47,152	(15,100)	32,052
Depreciation and amortization	Depreciation and amortization	6,033	—	6,033
Capital expenditures	Capital expenditures	6,207	—	6,207

(1) Operating loss includes $215 $17,750of restructuring expense. litigation settlement.

(2) The following table reconciles operating income to Adjusted EBITDA attributed to Douglas Elliman for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

(3)Operating loss includes $1,932 $1,210 of restructuring expense.

	Three Months Ended March 31,	
	2024	2023
Real estate brokerage segment		
Operating loss	$ (35,286)	$ (17,343)
Depreciation and amortization	1,981	2,039
Stock-based compensation	1,225	1,019
Litigation settlement	17,750	—
Restructuring	—	1,210
Adjusted EBITDA	(14,330)	(13,075)
Adjusted EBITDA attributed to non-controlling interest	132	91
Adjusted EBITDA attributed to Douglas Elliman	$ (14,198)	$ (12,984)
Corporate and other segment		
Operating loss	$ (6,178)	$ (6,465)
Stock-based compensation	2,130	1,804
Adjusted EBITDA attributed to Douglas Elliman	$ (4,048)	$ (4,661)

DOUGLAS ELLIMAN INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

	Three Months Ended September 30,	Nine Months Ended September 30,

	2023	2022	2023	2022
Real estate brokerage segment				
Operating (loss) income	$ (1,992)	1,503	$ (20,349)	$ 37,619
Depreciation and amortization	1,999	1,968	6,031	6,033
Stock-based compensation	1,175	1,419	3,355	3,278
Restructuring	215	—	1,932	—
Adjusted EBITDA	1,397	4,890	(9,031)	46,930
Adjusted EBITDA attributed to non-controlling interest	138	177	63	222
Adjusted EBITDA attributed to Douglas Elliman	$ 1,535	$ 5,067	$ (8,968)	$ 47,152
Corporate and other segment				
Operating loss	$ (6,829)	$ (6,689)	$ (20,577)	$ (20,298)
Stock-based compensation	2,267	1,746	6,311	5,198
Adjusted EBITDA attributed to Douglas Elliman	$ (4,562)	$ (4,943)	$ (14,266)	$ (15,100)

11. ESCROW FUNDS IN HOLDING

As a service to its customers, Portfolio Escrow Inc., a subsidiary of the Company, administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to $250. Portfolio Escrow Inc. had escrow funds on deposit in the amount of $44,326 $35,863 and $33,533 $41,338 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and corresponding escrow funds in holding of the same amount. While these deposits are not assets of the Company (and, therefore, are excluded from the accompanying condensed consolidated balance sheets), the subsidiary of the Company remains contingently liable for the disposition of these deposits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amounts)

The following discussion should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Audited Consolidated Financial Statements as of and for the year ended December 31, 2022 December 31, 2023 and Notes thereto, included in our 2022 2023 Annual Report on Form 10-K, and our Condensed Consolidated Financial Statements and related Notes as of and for the quarterly period and nine months ended September 30, 2023 March 31, 2024.

Overview

We are a holding company and engaged principally in two business segments:

Real Estate Brokerage: the residential real estate brokerage services through our subsidiary Douglas Elliman Realty, which operates the largest residential brokerage company in the New York metropolitan area and also conducts residential real estate brokerage operations in Florida, California, Texas, Colorado, Nevada, Massachusetts, Connecticut, Maryland, Virginia and Washington, D.C.

Corporate and other: the operations of our holding company as well as our investment business that invests in select PropTech opportunities through our New Valley Ventures subsidiary.

Key Business Metrics and Non-GAAP Financial Measures

In addition to our financial results, we use the following business metrics to evaluate our business and identify trends affecting our business. To evaluate our operating performance, we also use Adjusted EBITDA attributed to Douglas Elliman, Adjusted EBITDA attributed to Douglas Elliman Margin and financial measures for the last twelve months ended September 30, 2023March 31, 2024 ("Non-GAAP Financial Measures"), which are financial measures not prepared in accordance with GAAP.

Key Business Metrics

		Last twelve months ended September 30, 2023	Nine months ended September 30, 2023	2022	Year ended December 31, 2022
	Last twelve months ended March 31, 2024	Last twelve months ended	Three months ended March 31,		Year ended December 31, 2023
Key Business Metrics	**Key Business Metrics**				
Key Business Metrics					
Key Business Metrics					
Total transactions (1)					
Total transactions (1)					
Total transactions (1)	Total transactions (1)	21,360	16,584	21,797	26,573
Gross transaction value (in billions) (2)	Gross transaction value (in billions) (2)	$ 34.0	$ 26.5	$ 35.4	$ 42.9
Average transaction value per transaction (in thousands) (3)	Average transaction value per transaction (in thousands) (3)	$ 1,591.4	$ 1,596.8	$ 1,625.8	$ 1,616.3
Number of Principal Agents (4)	Number of Principal Agents (4)	5,307	5,307	5,342	5,407

Annual Retention (5)	Annual Retention (5)	90 %	N/A	N/A	87 %	Annual Retention (5)	90 %	N/A	92 %	
Net (loss) income attributed to Douglas Elliman Inc.		$(46,124)	$(27,709)	$ 12,793	$ (5,622)					
Net (loss) income margin		(4.86)%	(3.74)%	1.35 %	(0.49)%					
Net loss attributed to Douglas Elliman Inc.										
Net loss income margin						Net loss income margin	(33.16)%	(20.71)%	(8.24)%	(4.45) %
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	$(40,335)	$(23,234)	$ 32,052	$ 14,951					
Adjusted EBITDA attributed to Douglas Elliman Margin	Adjusted EBITDA attributed to Douglas Elliman Margin	(4.25)%	(3.13)%	3.39 %	1.30 %	Adjusted EBITDA attributed to Douglas Elliman Margin	(20.62)%	(9.11)%	(8.25)%	(4.26) %

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(1) We calculate total transactions by taking the sum of all transactions closed in which our agent represented the buyer or seller in the purchase or sale of a home (excluding rental transactions). We include a single transaction twice when one or more of our agents represent both the buyer and seller in any given transaction.

(2) Gross transaction value is the sum of all closing sale prices for homes transacted by our agents (excluding rental transactions). We include the value of a single transaction twice when our agents serve both the home buyer and home seller in the transaction.

(3) Average transaction value per transaction is the quotient of (x) gross transaction value divided by (y) total transactions.

(4) The number of Principal Agents is determined as of the last day of the specified period. We use the number of Principal Agents, in combination with our other key business metrics such as total transactions and gross transaction value, as a measure of agent productivity.

(5) Annual Retention is the quotient of (x) the prior year revenue generated by agents retained divided by (y) the prior year revenue generated by all agents. We use Annual Retention as a measure of agent stability.

Non-GAAP Financial Measures

Adjusted EBITDA attributed to Douglas Elliman is a non-GAAP financial measure that represents our net income adjusted for depreciation and amortization, investment and other income, stock-based compensation expense, benefit from income taxes, and other items. Adjusted EBITDA attributed to Douglas Elliman Margin is the quotient of (x) Adjusted EBITDA attributed to Douglas Elliman divided by (y) revenue. Last twelve months (“LTM”) financial measures are non-GAAP financial measures that are calculated by reference to the trailing four-quarter performance for the relevant metric.

We believe that Non-GAAP Financial Measures are important measures that supplement analysis of our results of operations and enhance an understanding of our operating performance. We believe Non-GAAP Financial Measures provide a useful measure of operating results unaffected by non-recurring items, differences in capital structures and ages of related assets among otherwise comparable companies. Management uses Non-GAAP Financial Measures as measures to review and assess operating performance of our business, and management and investors should review both the overall performance (GAAP net income) and the operating performance (Non-GAAP Financial Measures) of our business. While management considers Non-GAAP Financial Measures to be important, they should be considered in addition to, but not as substitutes for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating income, and net income. In addition, Non-GAAP Financial Measures are susceptible to varying calculations and our measurement of Non-GAAP Financial Measures may not be comparable to those of other companies.

Reconciliations of these non-GAAP measures are provided in the table below.

Computation of Adjusted EBITDA attributed to Douglas Elliman

	Last twelve months ended September 30, 2023	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Year ended December 31, 2022
Net (loss) income attributed to Douglas Elliman Inc.	$ (46,124)	$ (27,709)	$ 12,793	$ (5,622)
	Last twelve months ended			
	Last twelve months ended			
	Last twelve months ended			
	March 31, 2024			
	March 31, 2024			
	March 31, 2024			
Net loss attributed to Douglas Elliman Inc.				
Net loss attributed to Douglas Elliman Inc.				
Net loss attributed to Douglas Elliman Inc.				
Interest income, net				
Interest income, net				
Interest income, net Interest income, net	(5,475)	(4,260)	(564)	(1,779)
Income tax (benefit) expense Income tax (benefit) expense	(10,222)	(8,552)	8,173	6,503
Income tax (benefit) expense				
Income tax (benefit) expense				

Net loss attributed to non-controlling interest					
Net loss attributed to non-controlling interest					
Net loss attributed to non-controlling interest	Net loss attributed to non-controlling interest	(684)	(439)	(532)	(777)
Depreciation and amortization	Depreciation and amortization	8,010	6,031	6,033	8,012
Depreciation and amortization					
Depreciation and amortization					
Stock-based compensation (a)					
Stock-based compensation (a)					
Stock-based compensation (a)	Stock-based compensation (a)	12,328	9,666	8,476	11,138
Equity in losses from equity method investments (b)	Equity in losses from equity method investments (b)	229	143	477	563
Equity in losses from equity method investments (b)					
Equity in losses from equity method investments (b)					
Litigation settlement (c)					
Litigation settlement (c)					
Litigation settlement (c)					
Restructuring					
Restructuring					
Restructuring	Restructuring	1,932	1,932	—	—
Other, net	Other, net	(512)	(109)	(3,026)	(3,429)
Other, net					
Other, net					
Adjusted EBITDA					
Adjusted EBITDA					
Adjusted EBITDA	Adjusted EBITDA	(40,518)	(23,297)	31,830	14,609
Adjusted EBITDA attributed to non-controlling interest	Adjusted EBITDA attributed to non-controlling interest	183	63	222	342
Adjusted EBITDA attributed to non-controlling interest					
Adjusted EBITDA attributed to non-controlling interest					

Adjusted EBITDA attributed to Douglas Elliman					
Adjusted EBITDA attributed to Douglas Elliman					
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	$ (40,335)	$ (23,234)	$ 32,052	$ 14,951
Real estate brokerage segment	Real estate brokerage segment				
Operating (loss) income		$ (35,975)	$ (20,349)	$ 37,619	$ 21,993
Real estate brokerage segment					
Real estate brokerage segment					
Operating loss					
Operating loss					
Operating loss					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	8,010	6,031	6,033	8,012
Stock-based compensation	Stock-based compensation	4,272	3,355	3,278	4,195
Stock-based compensation					
Stock-based compensation					
Litigation settlement (c)					
Litigation settlement (c)					
Litigation settlement (c)					
Restructuring					
Restructuring					
Restructuring	Restructuring	1,932	1,932	—	—
Adjusted EBITDA	Adjusted EBITDA	(21,761)	(9,031)	46,930	34,200
Adjusted EBITDA					
Adjusted EBITDA					
Adjusted EBITDA attributed to non-controlling interest	Adjusted EBITDA attributed to non-controlling interest	183	63	222	342
Adjusted EBITDA attributed to non-controlling interest					
Adjusted EBITDA attributed to non-controlling interest					
Adjusted EBITDA attributed to Douglas Elliman					

Adjusted EBITDA attributed to Douglas Elliman					
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	$ (21,578)	$ (8,968)	$ 47,152	$ 34,542
Corporate and other segment	Corporate and other segment				
Corporate and other segment					
Corporate and other segment					
Operating loss					
Operating loss					
Operating loss	Operating loss	$ (26,813)	$ (20,577)	$ (20,298)	$ (26,534)
Stock-based compensation	Stock-based compensation	8,056	6,311	5,198	6,943
Stock-based compensation					
Stock-based compensation					
Adjusted EBITDA attributed to Douglas Elliman					
Adjusted EBITDA attributed to Douglas Elliman					
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	$ (18,757)	$ (14,266)	$ (15,100)	$ (19,591)
Total adjusted EBITDA attributed to Douglas Elliman	Total adjusted EBITDA attributed to Douglas Elliman	$ (40,335)	$ (23,234)	$ 32,052	$ 14,951
Total adjusted EBITDA attributed to Douglas Elliman					
Total adjusted EBITDA attributed to Douglas Elliman					

(a) Represents amortization of stock-based compensation. $4,272, $3,355, $3,278, $4,745, $1,225, $1,019, and $4,195$4,539 are attributable to the Real estate brokerage segment for the last twelve months ended September 30, 2023 March 31, 2024, the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, and the year ended December 31, 2022 December 31, 2023, respectively. $8,056, $6,311, $5,198, $8,862, $2,130, $1,804, and $6,943$8,536 are attributable to the Corporate and other segment for the last twelve months ended September 30, 2023 March 31, 2024, the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, and the year ended December 31, 2022 December 31, 2023, respectively.

(b) Represents equity in losses recognized from the Company's investment in an equity method investment that is accounted for under the equity method and is not consolidated in the Company's financial results.

(c) Represents the settlement of litigation related to the resolution on a nationwide basis of pending class action litigations against NAR and the Company.

Recent Developments

Litigation. Following the federal jury decision in the *Sitzer/Burnett* case on October 31, 2023, several additional putative class action lawsuits have been were filed against the National Association of Realtors and real estate brokerage firms, including Douglas Elliman, alleging anticompetitive conduct similar to that in the *Sitzer/Burnett* case in violation of federal and state antitrust laws and consumer protection claims as well as allegations of unjust enrichment. Presently, we are a defendant in three such matters in Missouri, Illinois and New York. eight of these cases. We may become involved in additional legal proceedings concerning the same or similar claims. We are unable to reasonably estimate the financial impact of these matters. See Note 7 - “Contingencies” to our condensed consolidated financial statements.

Litigation Settlement. On April 26, 2024, we entered into a settlement agreement (the “Settlement Agreement”) to resolve, on a nationwide basis, the *Gibson* and *Umpa* cases (the “Lawsuits”). The settlement resolves all claims, on a nationwide basis, by the plaintiffs and proposed settlement class members in the Lawsuits, which includes, but is not limited to, all claims concerning brokerage commissions by the proposed settlement class members that were asserted in other lawsuits against us and our subsidiaries (collectively, the “Claims”), and releases us, our subsidiaries, and affiliated agents from all Claims. The settlement is not an admission of liability, nor do we concede or validate any of the claims asserted against us.

Under the Settlement Agreement, we agreed to pay, into an escrow fund, $7,750 within 30 business days of preliminary approval of the settlement by the court, (which preliminary approval was granted on April 30, 2024) as well as two $5,000 contingent payments subject to certain financial contingencies through December 31, 2027 (collectively, the “Settlement Amount”). The contingent payments may be accelerated under certain circumstances. We recognized an expense of $17,750 in the three months ended March 31, 2024.

In addition, we agreed to make certain changes to our business practices and emphasize certain practices that have been a part of Douglas Elliman’s longstanding policies and practices, including: reminding our brokerages and agents that we have no rule requiring agents to make or accept offers of compensation; requiring our brokerages and agents to clearly disclose to clients that commissions are not set by law and are fully negotiable; prohibiting our brokerages and buyer agents from claiming buyer agent services are free; requiring our brokerages and agents to disclose to the buyer the listing broker’s offer of compensation for prospective buyers’ agents as soon as possible; prohibiting our brokerages and agents from using any technology (or manual methods) to sort listings by offers of compensation, unless requested by the client; reminding our brokerages and agents of their obligation to show properties regardless of compensation for buyers’ agents for properties that meet the buyer’s priorities; and developing training materials for our brokerages and agents that support all the practice changes outlined in the injunctive relief.

The Settlement Agreement remains subject to final court approval and will, if approved, become effective at that time. See Note 7 - “Contingencies” to our condensed consolidated financial statements.

Update on Expense Reduction. Since June 2022, our operating results have been negatively impacted by a reduction of revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates. As a result, during 2023 and 2024, we have endeavored to adjust our cost structure to better fit our business, including through, among other things, reductions in personnel and incentive compensation expense, eliminating certain corporate sponsorship events, streamlining advertising expenditures and beginning a process of consolidating offices as leases expire. These efforts have been undertaken to increase the efficiency of our operations without significantly impacting the agent experience.

During the three months ended September 30, 2023 March 31, 2024, our real estate brokerage segment reduced its operating expenses, excluding commissions and restructuring expenses, by approximately $7,800 $5,400 as compared to the 2022 period. corresponding period in 2023 and the reductions totaled approximately $18,900 from April 1, 2023 to March 31, 2024. These reductions during the quarter ended March 31, 2024 included approximately $4,800 $5,000 of general and administrative expenses, approximately $1,900 of sales and marketing expenses and approximately $1,100 of operations and support expenses. Compared to the third first quarter of 2022, 2023, these actions resulted in a 10.5% 7.6% reduction of operating expenses, excluding commissions, depreciation, litigation settlement, non-cash stock-based compensation and restructuring expenses.

During the nine months ended September 30, 2023, In 2023, we actively executed expense reduction programs that reduced expenses in our business, including our headcount on a net basis, by approximately 60 positions and have commenced a program of transitioning certain administrative support functions that do not impact the agent experience, which are expected to result in additional reductions of approximately 100 employees during in 2023. These programs are continuing in 2024. These steps are intended to result in an approximate 18% reduction in headcount since December 31, 2022 and should contribute meaningfully to our expense reduction efforts. In addition, in the second quarter of 2024, a lease on property used by one of our subsidiaries will expire expired and it will move has moved its operations to a new location resulting in an approximate $4,000 reduction in annual occupancy costs on an ongoing basis.

Results of Operations

The following discussion provides an assessment of our results of operations, capital resources and liquidity and should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report.

Three months ended September 30, 2023 March 31, 2024 Compared to the Three months ended September 30, 2022 March 31, 2023

The following table sets forth our revenue and operating (loss) income loss by segment for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023:

	Three Months Ended March 31,	
	2024	**2023**
	(Dollars in thousands)	
Revenues by segment:		
Real estate brokerage segment	$ 200,239	$ 213,982
Operating loss by segment:		
Real estate brokerage segment	$ (35,286)	$ (17,343)
Corporate and other segment	(6,178)	(6,465)
Total operating loss	$ (41,464)	$ (23,808)
Real estate brokerage segment		
Operating loss	$ (35,286)	$ (17,343)
Depreciation and amortization	1,981	2,039
Litigation settlement	17,750	—
Restructuring	—	1,210
Stock-based compensation	1,225	1,019
Adjusted EBITDA	(14,330)	(13,075)
Adjusted EBITDA attributed to non-controlling interest	132	91
Adjusted EBITDA attributed to Douglas Elliman	$ (14,198)	$ (12,984)

Corporate and other segment		
Operating loss	$ (6,178)	$ (6,465)
Stock-based compensation	2,130	1,804
Adjusted EBITDA attributed to Douglas Elliman	$ (4,048)	$ (4,661)

	Three Months Ended September 30,	
	2023	2022
	(Dollars in thousands)	
Revenues by segment:		
Real estate brokerage segment	$ 251,548	$ 272,588
Operating (loss) income by segment:		
Real estate brokerage segment	$ (1,992)	$ 1,503
Corporate and other segment	(6,829)	(6,689)
Total operating loss	$ (8,821)	$ (5,186)
Real estate brokerage segment		
Operating (loss) income	$ (1,992)	$ 1,503
Depreciation and amortization	1,999	1,968
Restructuring	215	—
Stock-based compensation	1,175	1,419
Adjusted EBITDA	1,397	4,890
Adjusted EBITDA attributed to non-controlling interest	138	177
Adjusted EBITDA attributed to Douglas Elliman	$ 1,535	$ 5,067
Corporate and other segment		
Operating loss	$ (6,829)	$ (6,689)
Stock-based compensation	2,267	1,746
Adjusted EBITDA attributed to Douglas Elliman	$ (4,562)	$ (4,943)

Revenues. Our revenues were $251,548 $200,239 for the three months ended September 30, 2023 March 31, 2024 compared to $272,588 $213,982 for the three months ended September 30, 2022 March 31, 2023. The $21,040 $13,743 decline in revenues was primarily due to declines a decline in commission revenues which declined as a result commissions and other brokerage income because of a reduction of lower revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in associated with continued high mortgage rates.

Operating expenses. Our operating expenses were $260,369 $241,703 for the three months ended September 30, 2023 March 31, 2024 compared to $277,774 $237,790 for the three months ended September 30, 2022 March 31, 2023. The decline increase of $17,405 $3,913 was due primarily to the litigation settlement of $17,750 partially offset by declines in real estate brokerage commissions of $9,991 arising primarily from declines in commissions $7,086 and other brokerage revenue. operating expenses of $6,751.

Operating loss. Operating loss was $8,821 $41,464 for the three months ended September 30, 2023 March 31, 2024 compared to $5,186 $23,808 for the same period in 2022. three months ended March 31, 2023. The $3,635 $17,656 increase in operating loss was primarily due primarily to the litigation settlement and the net impact of declines in commission commissions and other brokerage revenues. revenues partially offset by a decline in operating expenses.

Other income. Other income was $1,822 $974 for the three months ended September 30, 2023 March 31, 2024 compared to $653 $578 for the three months ended September 30, 2022 March 31, 2023. For the three months ended September 30, 2023 March 31, 2024, other income primarily consisted of interest income, net of $1,785, $1,376 . This was offset by equity losses from equity method investments of $11 and investment and other income, losses, primarily associated with our PropTech investments of $27, and equity in earnings from equity method investments of $10. $391.

Loss before provision for income taxes. Loss before income taxes was $6,999 and $4,533 $40,490 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. $23,230 for the three months ended March 31, 2023.

Income tax benefit expense (benefit). Income tax benefit expense was $1,869 and $290 $1,195 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. income tax benefit was $5,390 for the three months ended March 31, 2023.

We calculate our provision for income taxes based upon our estimate of the annual effective income tax rate based on full year projections and apply the annual effective income tax rate against year-to-date pretax income to record income tax expense, adjusted for discrete items, if any. During the three months ending March 31, 2024, we analyzed the likelihood of utilizing our deferred tax assets and determined it will be more likely than not that the benefits of these deductible differences will not be realized, and as a result we established a valuation allowance for the full amount of the deferred tax assets. We refine annual estimates as current information becomes available.

Real Estate Brokerage.

The following table sets forth our condensed consolidated statements of operations data for the Real Estate Brokerage segment for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023:

		Three Months Ended September 30,					
		2023			2022		
		(Dollars in thousands)					
Revenues:	Revenues:						
Revenues:							
Revenues:							
Commissions and other brokerage income							
Commissions and other brokerage income							
Commissions and other brokerage income	Commissions and other brokerage income	$	239,255	95.1%	$	259,977	95.4%
Property management	Property management		8,697	3.5%		8,541	3.1%
Property management							
Property management							

Other ancillary services	Other ancillary services		3,596	1.4%		4,070	1.5%
Other ancillary services							
Other ancillary services							
Total revenues							
Total revenues							
Total revenues	Total revenues	$	251,548	100%	$	272,588	100%
Operating expenses:	Operating expenses:						
Operating expenses:							
Operating expenses:							
Real estate agent commissions							
Real estate agent commissions							
Real estate agent commissions	Real estate agent commissions	$	185,845	73.9%	$	195,836	71.8%
Sales and marketing	Sales and marketing		20,770	8.3%		22,703	8.3%
Sales and marketing							
Sales and marketing							
Operations and support							
Operations and support							
Operations and support	Operations and support		17,121	6.8%		18,218	6.7%
General and administrative	General and administrative		21,988	8.7%		26,833	9.8%
General and administrative							
General and administrative							
Technology							
Technology							
Technology	Technology		5,602	2.2%		5,527	2.0%
Depreciation and amortization	Depreciation and amortization		1,999	0.8%		1,968	0.7%
Depreciation and amortization							
Depreciation and amortization							
Litigation settlement							
Litigation settlement							
Litigation settlement							
Restructuring	Restructuring		215	0.1%		—	—%
Operating (loss) income		$	(1,992)	(0.8)%	$	1,503	0.6%
Restructuring							
Restructuring							

Operating loss

Operating loss

Operating loss

Revenues. Our revenues were $251,548 $200,239 for the three months ended September 30, 2023 March 31, 2024 compared to $272,588 $213,982 for the three months ended September 30, 2022 March 31, 2023. The decline of $21,040 was primarily related to a decline in our commission and other brokerage income, which declined as a result of a reduction of revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

Our revenues from commission and other brokerage income were $239,255 for the three months ended September 30, 2023 compared to $259,977 for the three months ended September 30, 2022, a decline of $20,722. In the three months ended September 30, 2023, our commission and other brokerage income generated from the sales of existing homes declined by $24,857 in New York City compared to the 2022 period. This was partially offset by increases in our commission and other brokerage income generated from the sales of existing homes of $6,835 in the Florida market, $1,327 in the Northeast region, which excludes New York City, and $1,386 in the West region, in each case compared to the 2022 period. In addition, our revenues from Development Marketing declined by $5,413 in the 2023 period compared to the 2022 period.

Operating Expenses. Our operating expenses were $253,540 for the three months ended September 30, 2023 compared to $271,085 for the three months ended September 30, 2022, a decline of $17,545, due primarily to declines in real estate brokerage commissions, and reductions in operations and support expenses and general and administrative expenses. The primary components of operating expenses are described below.

Real Estate Agent Commissions. As a result of declines in our commissions and other brokerage income, our real estate agent commissions expense was $185,845 for the three months ended September 30, 2023 compared to $195,836 for the three months ended September 30, 2022. Real estate agent commissions expense, as a percentage of revenues, increased to 73.9% for the three months ended September 30, 2023 compared to 71.8% for the three months ended September 30, 2022. The increase in real estate agent commissions expense as a percentage of revenue in the 2023 period was primarily driven by a higher percentage of revenues being generated in the Southeast (Florida) and Western (primarily California), which traditionally pay higher commission rates than other regions, as well as a higher percentage of revenues being generated by top-performing agents and agent teams, who generally receive a higher commission percentage. In addition, our percentage of revenues from Development Marketing, which generally pays lower commissions, declined during three months ended September 30, 2023 compared to the prior year period.

Sales and Marketing. Sales and marketing expenses were $20,770 for the three months ended September 30, 2023 compared to $22,703 for the three months ended September 30, 2022.

Operations and support. Operations and support expenses were $17,121 for the three months ended September 30, 2023 compared to $18,218 for the three months ended September 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

General and administrative. General and administrative expenses were $21,988 for the three months ended September 30, 2023 compared to $26,833 for the three months ended September 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

Technology. Technology expenses were $5,602 for the three months ended September 30, 2023 compared to $5,527 for the three months ended September 30, 2022.

Operating (loss) income. Operating loss was $1,992 for the three months ended September 30, 2023 compared to operating income of $1,503 for the three months ended September 30, 2022. The decline in operating income is primarily associated with the net impact of declines in commission and other brokerage revenues.

Corporate and Other.

Corporate and Other loss. The operating loss at the Corporate and Other segment was $6,829 for the three months ended September 30, 2023 compared to $6,689 for the three months ended September 30, 2022. The increased loss was primarily attributable to increased non-cash stock compensation expense.

Nine months ended September 30, 2023 Compared to Nine months ended September 30, 2022

The following table sets forth our revenue and operating (loss) income by segment for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022:

	Nine Months Ended September 30,	
	2023	2022
	(Dollars in thousands)	
Revenues by segment:		
Real estate brokerage segment	$ 741,442	$ 945,847
Operating (loss) income by segment:		
Real estate brokerage segment	$ (20,349)	$ 37,619
Corporate and other segment	(20,577)	(20,298)
Total operating (loss) income	$ (40,926)	$ 17,321
Real estate brokerage segment		
Operating (loss) income	$ (20,349)	$ 37,619
Depreciation and amortization	6,031	6,033
Restructuring	1,932	—
Stock-based compensation	3,355	3,278
Adjusted EBITDA	(9,031)	46,930
Adjusted EBITDA attributed to non-controlling interest	63	222
Adjusted EBITDA attributed to Douglas Elliman	$ (8,968)	$ 47,152
Corporate and other segment		
Operating loss	$ (20,577)	$ (20,298)
Stock-based compensation	6,311	5,198
Adjusted EBITDA attributed to Douglas Elliman	$ (14,266)	$ (15,100)

Revenues. Our revenues were $741,442 for the nine months ended September 30, 2023 compared to $945,847 for the nine months ended September 30, 2022. The $204,405 decline in revenues was primarily due to a decline in commissions and other

brokerage income because of lower revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

Operating expenses. Our operating expenses were $782,368 for the nine months ended September 30, 2023 compared to $928,526 for the nine months ended September 30, 2022. The decline of $146,158 was due primarily to declines in real estate brokerage commissions of $139,691. This was offset by increases in restructuring and non-cash stock compensation expenses.

Operating (loss) income. Operating loss was $40,926 for the nine months ended September 30, 2023 compared to operating income of $17,321 for the nine months ended September 30, 2022. The $58,247 decline in operating income was primarily due to the net impact of declines in commissions and other brokerage revenues.

Other income. Other income was $4,226 for the nine months ended September 30, 2023 compared to $3,113 for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, other income primarily consisted of interest income, net of $4,260 and investment and other income, primarily associated with our PropTech investments of $109. This was offset by equity losses from equity method investments of $143.

(Loss) income before provision for income taxes. Loss before income taxes was $36,700 for the nine months ended September 30, 2023 and income before income taxes was $20,434 for the nine months ended September 30, 2022.

Income tax (benefit) expense. Income tax benefit was $8,552 for the nine months ended September 30, 2023 and income tax expense was $8,173 for the nine months ended September 30, 2022.

We calculate our provision for income taxes based upon our estimate of the annual effective income tax rate based on full year projections and apply the annual effective income tax rate against year-to-date pretax income to record income tax expense, adjusted for discrete items, if any. We refine annual estimates as current information becomes available.

Real Estate Brokerage.

The following table sets forth our condensed consolidated statements of operations data for the Real Estate Brokerage segment for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022:

-	Nine Months Ended September 30,					
	2023			2022		
	(Dollars in thousands)					
Revenues:						
Commissions and other brokerage income	$	703,780	94.9%	$	903,917	95.6%
Property management		26,849	3.6%		27,786	2.9%
Other ancillary services		10,813	1.5%		14,144	1.5%
Total revenues	$	741,442	100%	$	945,847	100%
Operating expenses:						
Real estate agent commissions	$	546,749	73.7%	$	686,440	72.6%
Sales and marketing		64,170	8.7%		64,145	6.8%
Operations and support		53,338	7.2%		55,872	5.9%
General and administrative		71,794	9.7%		78,929	8.3%
Technology		17,777	2.4%		16,809	1.8%
Depreciation and amortization		6,031	0.8%		6,033	0.6%
Restructuring		1,932	0.3%		—	—%
Operating (loss) income	$	(20,349)	(2.7)%	$	37,619	4.0%

Revenues. Our revenues were $741,442 for the nine months ended September 30, 2023 compared to $945,847 for the nine months ended September 30, 2022. The decline of $204,405 $13,743 was primarily related to a decline in our commission and other brokerage income because of lower revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in associated with continued high mortgage rates.

Our revenues from commission and other brokerage income were $703,780 $188,265 for the nine three months ended September 30, 2023 March 31, 2024 compared to $903,917 $202,036 for the nine three months ended September 30, 2022 March 31, 2023, a decline of $200,137. $13,771. In 2023, 2024, our commission and other brokerage income generated from the sales of existing homes declined by $84,655 $8,558 in New York City, $44,531 City. This was partially offset by increases of $3,176 in our Florida market, $29,411 $2,354 in the West region and $1,481 in the Northeast region, which excludes New York City, and $25,084 in the West region. City. In addition, our revenues from Development Marketing declined by $16,456 $12,224 in the 2023 2024 period compared to the 2022 2023 period.

Operating Expenses. Our operating expenses were $761,791 $235,525 for the nine three months ended September 30, 2023 March 31, 2024 compared to $908,228 $231,325 for the nine three months ended September 30, 2022 March 31, 2023, a decline an increase of $146,437, $4,200, due primarily to the litigation settlement partially offset by declines in real estate brokerage commissions. commissions and other operating expenses.

Real Estate Agent Commissions. As a result of declines in commissions and other brokerage income, our real estate agent commissions expense was $546,749 $149,016 for the nine three months ended September 30, 2023 March 31, 2024 compared to $686,440 $156,102 for the nine three months ended September 30, 2022 March 31, 2023, a decline of $139,691. $7,086. Real estate agent commissions expense, as a percentage of revenues, increased to 73.7% 74.4% for the nine three months ended September 30, 2023 March 31, 2024 compared to 72.6% 73.0% for the nine three months ended September 30, 2022 March 31, 2023. The increase in real estate agent commissions expense as a percentage of revenue in the 2023 2024 period was primarily driven by a higher lower percentage of commission revenues being generated in the Southeast (Florida) and Western (primarily California), which traditionally pay higher commission rates than other regions, as well as a higher percentage of revenues being generated by top-performing agents and agent teams, who generally receive a higher commission percentage. In addition, our percentage of revenues derived from Development Marketing, which generally pays lower commissions, declined commission rates, during nine three months ended September 30, 2023 March 31, 2024 compared to the prior year period. In addition, during three months ended March 31, 2024, a higher percentage of our revenues was generated from locations (primarily Florida, California, Texas, Colorado and Nevada) which generally pay higher commission rates.

Sales and Marketing. Sales and marketing expenses were $64,170 $21,298 for the nine three months ended September 30, 2023 March 31, 2024 compared to $64,145 $21,239 for the nine three months ended September 30, 2022 March 31, 2023.

Operations and support. Operations and support expenses were $53,338 $18,799 for the nine three months ended September 30, 2023 March 31, 2024 compared to $55,872 $18,893 for the nine three months ended September 30, 2022 March 31, 2023. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

General and administrative. General and administrative expenses were $71,794 $20,838 for the nine three months ended September 30, 2023 March 31, 2024 compared to $78,929 $25,830 for the nine three months ended September 30, 2022 March 31, 2023.The decline is primarily related to reductions in personnel as well as lower incentive compensation expenses.

Technology. Technology expenses were $17,777 $5,843 for the nine three months ended September 30, 2023 March 31, 2024 compared to $16,809 $6,012 for the nine three months ended September 30, 2022 March 31, 2023. The increase in the 2023 period was primarily related to agent-facing technology enhancements and improvements.

Operating (loss) income loss. Operating loss was $20,349 $35,286 for the nine three months ended September 30, 2023 March 31, 2024 compared to operating income of $37,619 $17,343 for the nine three months ended September 30, 2022 March 31, 2023. The decline increase in operating income loss is primarily associated with the litigation settlement of $17,750 and decline in revenues expenses associated with restructuring, non-cash stock compensation and expansion into new markets. partially offset by a decline in operating expenses.

Corporate and Other.

Corporate and Other loss. The operating loss at the Corporate and Other segment was $20,577 $6,178 for the nine three months ended September 30, 2023 March 31, 2024 compared to $20,298 $6,465 for the nine three months ended September 30, 2022 March 31, 2023.

Summary of PropTech Investments

As of September 30, 2023 March 31, 2024, New Valley Ventures had investments (at a carrying value) of approximately $13,947 13,112 in PropTech companies. This amounts to approximately 3% of the value of Douglas Elliman's total assets, which totaled approximately $511 million $461 million, as of September 30, 2023 March 31, 2024. During the nine months ended September 30, 2023 we made a new PropTech investment, which was a non-controlling interest investment, in Infinite Creator, a video production application that allows users to capture professional-quality videos from a smartphone in minutes.

Liquidity and Capital Resources

Cash, cash equivalents and restricted cash declined by $37,493 $29,449 to $133,889, $100,068, which included $7,549 $8,617 of restricted cash, during the nine three months ended September 30, 2023 March 31, 2024 and by $27,200 to $201,666 $39,778, which included restricted cash of $7,942 during the nine three months ended September 30, 2022 March 31, 2023.

Cash used in operations was $27,773 $27,291 and $31,575 for the nine three months ended September 30, 2023 while cash provided by operations was $5,208 for the nine months ended September 30, 2022 March 31, 2024 and 2023, respectively. . The increase decline in the cash used in the 2023 2024 period was related to lower operating the receipt of income which was primarily the result of the decline in revenues. This amount was offset by tax refunds and lower uses of working capital capital. This was partially offset by lower operating income in the nine three months ended September 30, 2023, due to lower accruals of incentive compensation for the nine months ended September 30, 2023 as well as higher payments of year-end incentive compensation during the nine months March 31, 2024.

ended September 30, 2022. We accrue incentive compensation during the year it is incurred and then pay the previously accrued amounts in the first quarter of the succeeding year.

Cash used in investing activities was $5,487 $2,158 and $9,667 $3,982 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the nine three months ended September 30, 2023 March 31, 2024, cash used in investing activities was comprised of capital expenditures of $5,380 $2,081 and the purchase of investments of $515 $85 in our PropTech business. This was offset by $408 $8 of distributions from our investments in equity securities. For the nine three months ended September 30, 2022 March 31, 2023, cash used in investing activities was comprised of capital expenditures of $6,207, $3,627, and purchase of investments of $3,235 $355 in our PropTech business, and investments of $300 in equity-method investments. This was offset by $75 of distributions from equity-method investments. business.

Our investment philosophy is to maximize return on investments using a reasonable expectation for return when investing in equity-method investments and PropTech investments as well as making capital expenditures.

Cash used in financing activities was $4,233 $0 and $22,741 $4,221 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the nine three months ended September 30, 2023 March 31, 2023, cash used in financing activities was comprised of dividends and distributions on common stock of $4,222 and $11 for payroll tax liabilities associated with restricted stock withheld upon the vesting of restricted stock. For the nine months ended September 30, 2022, cash used in financing activities was comprised of dividends and distributions on common stock of $12,120, repayment of debt of $9,396 and earn-out payments, associated with acquisitions, of $1,600. These amounts were partially offset by contributions from a non-controlling interest associated with Douglas Elliman Texas of $375. $4,221 .

We paid a quarterly cash dividend of $0.05 per share from March 2022 to March 2023. On June 12, 2023, we announced that our Board had suspended the quarterly cash dividend, effective immediately. On June 12, 2023, our Board also declared an annual a stock dividend on our common stock of 5%, which was paid on June 30, 2023 to stockholders of record as of the close of business on June

22, 2023. As part of the evaluation of our dividend policy, our Board determined that instating an annual a stock dividend and suspending the quarterly cash dividend was in the best interest of us and our stockholders. This updated dividend policy is intended to strengthen our balance sheet and position us to deliver long-term stockholder returns. The amount and payment of an annual a stock dividend and any quarterly cash dividend are subject to the Board's regular evaluation of our dividend policy and capital allocation strategy.

Real Estate Brokerage Litigation. On April 26, 2024, we entered into a settlement agreement to resolve all claims on a nationwide basis in the pending class action litigations, *Gibson v. NAR, No. 4:23-cv-00788-SRB (W.D. Mo.)* and *Umpa v. NAR, 4:23-cv-00945-SRB (W.D. Mo.)* alleging claims on behalf of sellers against Douglas Elliman Inc. and our subsidiaries. Under

the settlement agreement, we agreed to pay $7,750 within 30 business days of preliminary approval of the settlement by the court, as well as two $5,000 contingent payments subject to certain financial contingencies through December 31, 2027. Litigation is subject to uncertainty and it is possible that there could be adverse developments in other pending cases or that more cases, including antitrust lawsuits, could be concerned.

Management cannot predict the cash requirements related to any future settlements or judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. Management is unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome of the cases pending against the real estate brokerage segment or the costs of defending such cases. It is possible that our consolidated financial position, results of operations or cash flows in any future period could be materially adversely affected by an unfavorable outcome in any such brokerage-related litigation.

We had cash and cash equivalents of approximately $126,340 $91,451 as of September 30, 2023 March 31, 2024 and, in addition to any cash provided from operations, such cash is available to be used to fund such liquidity requirements as well as other anticipated liquidity needs in the normal course of business. Management currently anticipates that these amounts, as well as expected cash flows from our operations and proceeds from any financings to the extent available, should be sufficient to meet our liquidity needs over the next twelve months. We may acquire or seek to acquire additional operating businesses through a merger, purchase of assets, stock acquisition or other means, or to make or seek to make other investments, which may limit our liquidity otherwise available.

Off-Balance Sheet Arrangements

We have various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. Payment by us under such indemnification clauses is generally conditioned on the other party making a claim that is subject to challenge by us and dispute resolution procedures specified in the particular contract. Further, our obligations under these arrangements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments made by us. It is not possible to predict the maximum potential number of future payments under these indemnification agreements due to the conditional nature of our obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of September 30, 2023 March 31, 2024, we were not aware of any indemnification agreements that would or are reasonably expected to have a current or future material adverse impact on our financial position, results of operations or cash flows.

As of September 30, 2023 March 31, 2024, we had outstanding approximately $3,000 of letters of credit, collateralized by certificates of deposit. The letters of credit have been issued as security deposits for leases of office space, to secure the performance of our subsidiaries under various insurance programs and to provide collateral for various subsidiary borrowing and capital lease arrangements.

As a service to its customers, Portfolio Escrow Inc., a subsidiary of the Company, administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to $250. The escrow funds on deposit at the subsidiary were $44,326 $35,863 and $33,533 $41,338 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and corresponding escrow funds in holding of the same amount.

While these deposits are not assets of the Company (and, therefore, are excluded from the accompanying condensed consolidated balance sheets), the subsidiary of the Company remains contingently liable for the disposition of these deposits.

Market Risk

We are exposed to market risks principally from fluctuations in interest rates and could be exposed to market risks from foreign currency exchange rates and equity prices in the future. We seek to minimize these risks through our regular operating and financing activities and our long-term investment strategy. Our market risk management procedures cover material market risks for our market risk sensitive financial instruments.

New Accounting Pronouncements

Refer to Note 1, *Summary of Significant Accounting Policies*, to our financial statements for further information on New Accounting Pronouncements.

Legislation and Regulation

There are no material changes from the Legislation and Regulation section set forth in Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains "forward-looking statements" within the meaning of the federal securities law. Forward-looking statements include information relating to our intent, belief or current expectations, primarily with respect to, but not limited to, economic outlook, capital expenditures, cost reduction, cash flows, operating performance, growth expectations, competition, legislation and regulations, litigation, and related industry developments (including trends affecting our business, financial condition and results of operations).

We identify forward-looking statements in this report by using words or phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may be," "objective," "opportunistically," "plan," "potential," "predict," "project," "prospects," "seek," and "will be" and similar words or phrases or their negatives.

Forward-looking statements involve important risks and uncertainties that could cause our actual results, performance or achievements to differ materially from our anticipated results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, without limitation, the following:

- general economic and market conditions and any changes therein, including due to macroeconomic conditions, interest rate fluctuations, inflation, acts of war and terrorism or otherwise,
- governmental regulations and policies, including with respect to regulation of the real estate market or monetary and fiscal policy and its effect on overall economic activity, in particular, mortgage interest rates,
- the impacts of banks not honoring the escrow and trust deposits held by our subsidiaries,
- litigation risks,
- adverse changes in global, national, regional and local economic and market conditions, including those related to pandemics and health crises (and responses to them),
- the impacts of the Inflation Reduction Act of 2022 and the Tax Cuts and Jobs Act of 2017, including the continued impact on the markets of our business,

- effects of industry competition,
- severe weather events or natural or man-made disasters, including the increasing severity or frequency of such events due to climate change or otherwise, or other catastrophic events that may disrupt our business and have an unfavorable impact on home sale activity,
- the level of our expenses, including our corporate expenses as a standalone public company,
- the tax-free treatment of the Distribution,
- our lack of operating history as a public company and costs associated with being a standalone public company,
- the failure of Vector Group to satisfy its respective obligations under the Transition Services Agreement or other agreements entered into in connection with the Distribution, and
- the additional factors described under "*Risk Factors*" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission as updated in this report.

Further information on the risks and uncertainties to our business includes the risk factors discussed above in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and under Item 1A, "*Risk Factors*" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission.

Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, there is a risk that these expectations will not be attained and that any deviations will be material. The forward-looking statements speak only as of the date they are made.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk*" is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Note 7 to our condensed consolidated financial statements, incorporated herein by reference, which contains a general description of certain legal proceedings to which our company or its subsidiaries are a party.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors set forth in Part I, Item 1A, "*Risk Factors*," of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, except as set forth below:

Goodwill and indefinite-lived intangible asset impairment charges may adversely affect our operating results and financial condition.

We have a substantial amount of goodwill and other intangible assets on our balance sheet. As of September 30, 2023, we had approximately $32.2 million of goodwill and $73.1 million of trademarks and other intangible assets related to Douglas Elliman. Goodwill, trademarks and other identifiable intangible assets must be tested for impairment at least annually, or more frequently if indicators of potential impairment exist. The fair value of the goodwill assigned to a reporting unit could decline if projected revenues or cash flows were to be lower in the future due to the effects of the global economy or other causes. If the carrying value of intangible assets or of goodwill were to exceed its fair value, the asset would be written down to its fair value, with the impairment loss recognized as a non-cash charge in our consolidated statement of operations. Changes in our future outlook of the Douglas Elliman Realty, LLC reporting unit could result in an impairment loss.

The goodwill and indefinite-lived intangible asset impairment analyses are sensitive to changes in key assumptions used, such as discount rates, revenue growth rates, operating margin percentages of the business, and royalty rates as well as current market conditions affecting the residential real estate market industry including inventory levels and elevated mortgage rates. Disruptions in global credit and other financial markets and deteriorating economic conditions, including the impact of inflation or elevated interest rates, could, among other things, cause us to negatively adjust the key assumptions used in the valuations.

Given economic uncertainty and other factors affecting management's assumptions underlying the valuation of our goodwill and indefinite-lived intangible assets, the assumptions and projections used in the analyses may not be realized and our current estimates could vary significantly in the future, which may result in an additional goodwill or indefinite-lived intangible asset impairment charge. We may experience additional unforeseen circumstances that adversely affect the value of our goodwill or intangible assets and trigger an evaluation of the amount of recorded goodwill and intangible assets. Future write-offs of goodwill or other intangible assets as a result of an impairment in the business could have a material adverse impact on our results of operations and stockholders' equity.

In the quarterly period ended September 30, 2023, we utilized third-party valuation specialists to prepare a quantitative assessment of goodwill and trademark intangible assets related to Douglas Elliman, based on the current market conditions in the residential real estate brokerage industry. While the quantitative assessments did not result in impairment charges to goodwill or to the trademark intangible assets as of September 30, 2023, we could experience an impairment of goodwill and other intangible assets if current market conditions continue to deteriorate. Such situation could then result in an impairment loss.

Industry structure changes that disrupt the functioning of the residential real estate market could materially adversely affect our operations and financial results.

Through our brokerages, we participate in MLS and are a member of the NAR and state real estate associations and, accordingly, are subject to each group's rules, policies, data licenses, and terms of service. The rules of each MLS and real estate association to which we belong can vary widely and are complex.

From time to time, certain industry practices, including NAR and MLS rules, have come under regulatory scrutiny. There can be no assurances as to whether the Department of Justice (the "DOJ") or Federal Trade Commission (the "FTC"), their state counterparts, or other governmental body will determine that any industry practices or developments have an anti-competitive effect on the industry. Any such determination could result in industry investigations, legislative or regulatory action, private litigation or other actions, any of which could have the potential to disrupt our business.

On July 1, 2021, the DOJ announced its withdrawal from a settlement agreement reached during the prior administration with the NAR in relation to claims of anticompetitive behavior with respect to commissions received by buyers' agents from sellers' agents. The settlement previously required the NAR to adopt certain rule changes, such as increased disclosure of commission offers from sellers' agents to buyers' agents. In January 2023, a federal district court ruled that the DOJ must uphold the settlement agreement. The DOJ appealed the district court's January 2023 ruling, which has been fully briefed and is scheduled for oral argument on December 1, 2023. The withdrawal of the DOJ from this settlement and the executive order signed by President Biden on July 9, 2021, which, among other things, directs the FTC to consider additional rule making pertaining to the real estate industry, indicates increased regulatory scrutiny of the real estate industry.

In addition, private litigants have filed several antitrust suits against the NAR and certain real estate brokerage firms, some of which the DOJ has intervened in, that allege certain NAR and MLS rules are anti-competitive under federal and state antitrust laws and result in increased costs to consumers. Certain of these antitrust suits have resulted in settlement agreements, pursuant to which the settling real estate brokerage companies have agreed to injunctive relief that requires those companies to implement practice changes in their brokerage operations. On October 31, 2023, a federal jury in the Western District of Missouri found in favor of a class of plaintiffs of home sellers from April 2015 to June 2022 in three states, and awarded damages of approximately $1.78 billion (which is subject to statutory treble damages) for anticompetitive behavior in violation of federal antitrust laws arising from the NAR's requirement that sellers' agents for MLS-listed properties offer to pay a portion of commissions received on the sale of such properties to buyers' agents (the *Sitzer/Burnett* case). Certain of the NAR and certain brokerage defendants have indicated that they intend to appeal the judgment in settled the *Sitzer/Burnett*case case. These settlements, which remain subject to final court approval, include both monetary and final resolution is not expected in non-monetary settlement terms, which may impact business practices within the near term. industry. Douglas Elliman is not a defendant in the *Sitzer/Burnett* case.

Following the federal jury decision in the *Sitzer/Burnett* case on October 31, 2023, several additional putative class action lawsuits were filed against the NAR and additional real estate brokerage firms, including Douglas Elliman, alleging anticompetitive conduct similar to that in the *Sitzer/Burnett* case in violation of federal and state antitrust laws, consumer protection claims and allegations of unjust enrichment. Douglas Elliman is presently aware that it is a named defendant in three eight such matters in Missouri, Illinois and New York. Douglas Elliman may become involved in additional legal proceedings concerning the same or similar claims. On April 26, 2024, we entered into a settlement agreement (the "Settlement Agreement") to resolve, on a nationwide basis, the *Gibson* and *Umpa* cases (the "Lawsuits"). The settlement resolves all claims on a nationwide basis by the plaintiffs and proposed settlement class membersin the Lawsuits,which includes, but is not limited to, all claims concerning brokerage commissions by the proposed settlement class members that were asserted in other lawsuits against us and our subsidiaries (collectively, the "Claims"), and releases us, our subsidiaries, and affiliated agents from all Claims. Under the Settlement Agreement, we agreed to pay, into an escrow fund, $7,750 within 30 business days of

preliminary approval of the settlement by the court, as well as two $5,000 contingent payments subject to certain financial contingencies through December 31, 2027. We are unable to reasonably estimate the financial impact of these any remaining matters.

Any of the foregoing litigation (including any related settlement agreement) or subsequent regulatory action, if successful, could result in significant changes or disruptions to industry practices of the residential real estate market, including changes or disruptions to buyers' agent's commissions, and could negatively affect our financial condition and results of operations. Such consequences may reduce our revenues, require additional expenditure, or distract our management's attention from pursuing our growth strategy.

We could experience meaningful changes in industry operations or structure, as a result of governmental pressures, the result of litigation, changes to NAR or MLS rules, the actions of certain competitors or the introduction or growth of certain competitive models.

Contractual obligations related to confidentiality and noncompetition may be ineffective or unenforceable against departing employees.

Our operations are dependent on the efforts, abilities and experience of our employees, and we compete for their services. We have contracts with certain employees that include provisions preventing them from competing with us both during and after the term of our employment contracts with them. Enforceability of the non-compete agreements that we have in place is not guaranteed, and contractual restrictions could be breached without discovery or adequate remedies. On July 9, 2021, President Biden signed an executive order encouraging the Federal Trade Commission ("FTC") to curtail unfair use of non-compete agreements and other agreements that may unfairly limit worker mobility. While we cannot predict how the initiatives set forth in the executive order will be implemented or, as a result, the impact that the executive order will have on our operations, there is now increased uncertainty regarding the long-term enforceability of our non-compete agreements. In April 2024, the FTC issued a final rule that prohibits employers from entering into non-compete agreements with workers and requires employers to rescind existing non-compete agreements (other than with respect to senior executives). If the final rule becomes effective, our business may be negatively affected. In addition, the New York state legislature passed legislation in 2023 that would have prohibited most non-compete agreements between employers and workers in New York State, although it was not ultimately enacted. It is possible that additional similar legislation may be introduced in the future. We are monitoring developments related to these proposed laws for any potential impact on the arrangements we enter into with third parties, including our real estate agents.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No equity securities of ours which were not registered under the Securities Act have been issued or sold by us during the three months ended September 30, 2023 March 31, 2024. In addition, we did not repurchase any of our equity securities during the three months ended September 30, 2023 March 31, 2024.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

In the quarter ended September 30, 2023 March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a plan for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement for the purchase or sale of our securities, within the meaning of Item 408 of Regulation S-K. However, certain of our officers or directors have made, and may from time to time make elections to have shares withheld to cover withholding taxes or pay the exercise price of options, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements.

ITEM 6. EXHIBITS:

* 10.1	Settlement Agreement, dated April 26, 2024, by and among Douglas Elliman Inc., Douglas Elliman Realty, LLC, the Umpa plaintiffs and the Gibson plaintiffs (incorporated by reference to the Company's Form 8-K dated April 26, 2024).
31.1	Certification of Chief Executive Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
** 32.1	Certifications 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.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (the cover page tabs are embedded within the Inline XBRL document).

* Incorporated by reference.

** Furnished herewith. These exhibits shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURE

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.

DOUGLAS ELLIMAN INC.

(Registrant)

By: /s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President Treasurer and

Chief Financial Officer

Date: November 9, 2023 May 10, 2024

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Howard M. Lorber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Douglas Elliman Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2023 May 10, 2024

/s/ Howard M. Lorber

Howard M. Lorber

Chairman, President and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, J. Bryant Kirkland III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Douglas Elliman Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 10, 2024

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President Treasurer and Chief Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of Douglas Elliman Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard M. Lorber, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2023 May 10, 2024

/s/ Howard M. Lorber

Howard M. Lorber

Chairman, President and Chief Executive Officer

In connection with the Quarterly Report of Douglas Elliman Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Bryant Kirkland III, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2023 May 10, 2024

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President Treasurer and Chief Financial Officer

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