

REFINITIV

DELTA REPORT

10-Q

COMP - COMPASS, INC.

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

The following comparison report has been automatically generated

| | |
|--------------|------|
| TOTAL DELTAS | 1243 |
| CHANGES | 286 |
| DELETIONS | 512 |
| ADDITIONS | 445 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ 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**

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40291

COMPASS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

30-0751604
(I.R.S. Employer
Identification No.)

90 110 Fifth Avenue, **3rd 4th** Floor
New York, New York
(Address of Principal Executive Offices)

10011
(Zip Code)

(212) 913-9058
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|----------------|---|
| Class A Common Stock, \$0.00001 par value per share | COMP | The 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. Yes x No o

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

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 | o |
| Non-accelerated filer | o | Smaller reporting company | o |
| | | Emerging growth company | o |

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 ☐ No x

As of November 2, 2023 May 3, 2024, there were 483,044,464 494,492,172 shares of the registrant's common stock outstanding.

Compass, Inc.

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Unless otherwise expressly stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q, which we refer to as this Quarterly Report, to "Compass," "Company," "our," "us," and "we" and similar references refer to Compass, Inc. and its consolidated subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we may announce material business and financial information to our investors using our investor relations page on our website (www.compass.com), filings we make with the Securities and Exchange Commission, or the SEC, webcasts, press releases and conference calls. We use these mediums, including our website, to communicate with our stockholders and the public about our company, our product candidates and other matters. It is possible that the information we make

available may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website.

From time to time, we intend to announce material information to the public through filings with the SEC, the investor relations page on our website (www.compass.com), press releases, public conference calls, public webcasts, our X (formerly Twitter) feed (@Compass), our Facebook page, our LinkedIn page, our Instagram account, our YouTube channel, Robert Reffkin's X (formerly Twitter) feed (@RobReffkin) and Robert Reffkin's Instagram account (@robrefkin). We use these mediums, including our website, to communicate with our stockholders and the public about our company **our product candidates** and other matters. It is possible that the information that we make available may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website and all other streaming tools. Further, corporate governance information, including our governance guidelines, board committee charters and code of ethics, is also available on our investor relations page on our website under the heading "Governance."

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

The information contained on, or that can be accessed through, the website referenced in this Quarterly Report is not incorporated by reference into this filing, and the website address is provided only as an inactive textual reference.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the federal Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements contained in this Quarterly Report, other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations are forward-looking statements. Words such as "believes," "may," "will," "estimates," "potential," "continues," "anticipates," "intends," "expects," "could," "would," "projects," "plans," "targets," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- **general macroeconomic** General economic conditions, in the U.S. and globally (e.g., inflation), economic and industry downturns, the health of the U.S. real estate industry, and risks generally incident to the ownership of residential real estate, including seasonal and cyclical trends (e.g., increases in mortgage interest rates, continued limited inventory, slowed consumer demand, reduced home affordability and declines in price appreciation and home prices); estate;
- **current interest rates** The effect of monetary policies of the federal government and changes in prevailing its agencies;
- **Rising** interest rates;
- **Ongoing industry antitrust class action litigation** (including the Antitrust Lawsuits filed against us) or any related regulatory activities;
- **Any decreases in** our gross commission income or the percentage of commissions that we collect;
- **Declining home inventory levels;**
- **Our ability to carefully manage** our expense structure;
- **Adverse economic, real estate or business conditions** in geographic areas where our business is concentrated and/or impacting high-end markets;
- **Our** ability to continuously innovate, improve and expand our platform, including tools and features integrating machine learning and artificial intelligence, or AI;
- **the dependability of our platform and software;**
- **our ability to attract new agents and retain current agents or increase agents' utilization of our platform;**
- **our** Our ability to expand our **brokerage operations** and **adjacent services businesses;**
- **our ability to grow revenue from adjacent services at our anticipated rate;**
- **our ability to achieve expected benefits from our mortgage and title and escrow businesses, including our joint ventures; offer additional integrated services;**
- **our rapid growth and rate of growth;** Our ability to realize the expected benefits from joint ventures;
- **our** Our ability to **carefully manage** compete successfully;
- **Our ability to attract and retain highly qualified personnel and to recruit agents;**
- **Our ability to re-accelerate** our business growth given our current expense structure;
- **our net losses and ability** Use of cash to **achieve or sustain profitability** satisfy tax withholding obligations that arise in **the future;** connection with settlements of RSU awards;
- **covenants** Fluctuations in our quarterly results and other operating metrics;
- **The loss of one or more of our key personnel;**
- **Actions by our agents or employees that could adversely affect our reputation and subject us to liability;**
- **Our ability to pursue acquisitions that are successful and can be integrated into our existing operations;**
- **Changes in mortgage underwriting standards;**
- **Our ability to maintain or establish relationships with third-party service providers;**
- **The impact of cybersecurity incidents and the potential loss of critical and confidential information;**

- The reliability of our fraud detection processes and information security systems;
- Depository banks not honoring our escrow and trust deposits;
- Adoption of alternatives to full-service agents by consumers;
- Our ability to develop and maintain an effective system of disclosure controls and internal control over financial reporting;
- Covenants in our debt agreements that may restrict our borrowing capacity or operating activities;
- our Our ability to compete successfully in the markets in which we operate; use net operating losses and other tax attributes;
- the effect of monetary policies of the federal government Changes in, and its agencies; our reliance on, accounting standards, assumptions, estimates and business data;
- ongoing regulatory and/or private plaintiff litigation activities related to antitrust matters; The dependability of our platform and software;
- any decreases in Our ability to maintain our gross commission income or the percentage of commissions that we collect; company culture;
- fluctuation of our quarterly results and other operating metrics; Our ability to obtain or maintain adequate insurance coverage;
- our ability to successfully pursue acquisitions Processing, storage, and integrate target companies; use of personal information and other data, and compliance with privacy laws and regulations;
- the loss of key personnel; Natural disasters and catastrophic events;
- our ability to attract and retain highly qualified personnel and to recruit agents;
- reliability of our information security systems;
- the impact of cybersecurity incidents and the potential loss of critical and confidential information;
- identification of material weaknesses in our internal control over financial reporting and our ability to remediate such material weaknesses;
- compliance with privacy laws;
- the The effect of the claims, lawsuits, government investigations, and other proceedings that we are subject to from time to time; proceedings;
- Changes in federal or state laws that would require our agents to be classified as employees;
- Compliance with applicable laws and regulations and changes to applicable laws and regulations;
- Our ability to protect our intellectual property rights; rights, and our reliance on the intellectual property rights of third parties;
- The impact of having a multi-class structure of common stock;
- natural disasters and catastrophic events; and
- other general market, political, economic, and business conditions. Other factors set forth under Part I, Item 1A, "Risk Factors" in our 2023 Form 10-K.

We have based these forward-looking statements on our current expectations and projections as of the date of this filing about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements speak only as of the date of this filing and are subject to a number of known and unknown risks, uncertainties and assumptions, including, but not limited to, the important factors discussed in Part II, Item 1A, "Risk Factors" in this Quarterly Report and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on **March 1, 2023** February 28, 2024, which we refer to as our **2022 2023** Form 10-K. Readers are urged to carefully review and consider the various disclosures made in this filing, our **2022 2023** Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and circumstances discussed in this filing may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should completely read this filing and the documents that we reference herein and have filed with the SEC as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. The forward-looking statements in this Quarterly Report are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this filing or to conform statements to actual results or revised expectations, except as required by law.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Compass, Inc.
Condensed Consolidated Balance Sheets
(In millions, except share and per share data, 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 | \$ 220.0 | \$ 361.9 | | |
| Accounts receivable, net of allowance of \$9.8 and \$9.0, respectively | | 41.0 | 36.6 | | |
| Compass Concierge receivables, net of allowance of \$13.5 and \$14.7, respectively | | 34.3 | 42.9 | | |
| Cash and cash equivalents | | | | | |
| Cash and cash equivalents | | | | | |
| Accounts receivable, net of allowance of \$8.4 and \$8.6, respectively | | | | | |
| Compass Concierge receivables, net of allowance of \$13.2 and \$13.2, respectively | | | | | |
| Other current assets | Other current assets | 62.5 | 76.5 | | |
| Total current assets | Total current assets | 357.8 | 517.9 | | |
| Property and equipment, net | Property and equipment, net | 161.7 | 192.5 | | |
| Operating lease right-of-use assets | Operating lease right-of-use assets | 421.4 | 483.2 | | |
| Intangible assets, net | Intangible assets, net | 86.1 | 99.3 | | |
| Goodwill | Goodwill | 208.8 | 198.4 | | |
| Other non-current assets | Other non-current assets | 27.8 | 41.8 | | |
| Total assets | Total assets | \$1,263.6 | \$1,533.1 | | |
| Liabilities and Stockholders' Equity | Liabilities and Stockholders' Equity | | | | |
| Current liabilities | Current liabilities | | | | |
| Current liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | Accounts payable | \$ 22.6 | \$ 28.1 | | |
| Commissions payable | Commissions payable | 77.1 | 48.0 | | |

| | | | |
|--|--|--|-----------|
| Accrued expenses and other current liabilities | Accrued expenses and other current liabilities | 105.8 | 164.9 |
| Current lease liabilities | Current lease liabilities | 104.2 | 94.6 |
| Concierge credit facility | Concierge credit facility | 27.9 | 31.9 |
| Revolving credit facility | | — | 150.0 |
| Total current liabilities | | | |
| Total current liabilities | | | |
| Total current liabilities | Total current liabilities | 337.6 | 517.5 |
| Non-current lease liabilities | Non-current lease liabilities | 426.1 | 486.5 |
| Other non-current liabilities | Other non-current liabilities | 22.5 | 8.4 |
| Total liabilities | Total liabilities | 786.2 | 1,012.4 |
| Commitments and contingencies (Note 6) | Commitments and contingencies (Note 6) | Commitments and contingencies (Note 6) | |
| Stockholders' equity | Stockholders' equity | Stockholders' equity | |
| Common stock, \$0.00001 par value, 13,850,000,000 shares authorized at September 30, 2023 and December 31, 2022; 477,843,818 shares issued and outstanding at September 30, 2023; 438,098,194 shares issued and outstanding at December 31, 2022 | | | |
| Common stock, \$0.00001 par value, 13,850,000,000 shares authorized at March 31, 2024 and December 31, 2023; 492,308,123 shares issued and outstanding at March 31, 2024; 484,893,266 shares issued and outstanding at December 31, 2023 | | | |
| Additional paid-in capital | Additional paid-in capital | 2,908.1 | 2,713.6 |
| Accumulated deficit | Accumulated deficit | (2,434.1) | (2,196.5) |
| Total Compass, Inc. stockholders' equity | Total Compass, Inc. stockholders' equity | 474.0 | 517.1 |
| Non-controlling interest | Non-controlling interest | 3.4 | 3.6 |
| Total stockholders' equity | Total stockholders' equity | 477.4 | 520.7 |

| | | | | | |
|---|---|-------------|-------------|-------------|-------------|
| Loss before income taxes and equity in loss of unconsolidated entity | Loss before income taxes and equity in loss of unconsolidated entity | (39.3) | (151.6) | (234.2) | (437.4) |
| Income tax benefit | Income tax benefit | 0.5 | — | 0.5 | 1.4 |
| Equity in loss of unconsolidated entity | Equity in loss of unconsolidated entity | (0.4) | (2.5) | (2.6) | (7.5) |
| Net loss | Net loss | (39.2) | (154.1) | (236.3) | (443.5) |
| Net (income) loss attributable to non-controlling interests | | (0.2) | (0.1) | (1.3) | 0.1 |
| Net loss (income) attributable to non-controlling interests | | | | | |
| Net loss attributable to Compass, Inc. | Net loss attributable to Compass, Inc. | \$ (39.4) | \$ (154.2) | \$ (237.6) | \$ (443.4) |
| Net loss per share attributable to Compass, Inc., basic and diluted | Net loss per share attributable to Compass, Inc., basic and diluted | \$ (0.08) | \$ (0.36) | \$ (0.52) | \$ (1.04) |
| Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted | Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted | 470,945,736 | 432,459,739 | 460,730,792 | 425,338,530 |

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Compass, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In millions, except share amounts, unaudited)

| | Common Stock | | Additional | Accumulated | Total Compass, Inc. | Non- | Total |
|---|--------------|--------|--------------------|--------------|-------------------------|-------------------------|-------------------------|
| | Shares | Amount | Paid-in Capital | Deficit | Stockholders' Equity | controlling Interest | Stockholders' Equity |
| For the three months ended September 30, 2023: | | | | | | | |
| Balances at June 30, 2023 | 462,987,617 | \$ — | \$ 2,842.3 | \$ (2,394.7) | \$ 447.6 | \$ 4.1 | \$ 451.7 |
| Net loss | — | — | — | (39.4) | (39.4) | 0.2 | (39.2) |
| Issuance of common stock in connection with acquisitions | 637,406 | — | 2.4 | — | 2.4 | — | 2.4 |
| Issuance of common stock upon exercise of stock options | 648,062 | — | 1.3 | — | 1.3 | — | 1.3 |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | 4,221,908 | — | (7.6) | — | (7.6) | — | (7.6) |
| Issuance of common stock under the Employee Stock Purchase Plan | 390,915 | — | 1.1 | — | 1.1 | — | 1.1 |
| Issuance of common stock in connection with the Strategic Transaction | 8,957,910 | — | 30.0 | — | 30.0 | — | 30.0 |

| | | | | | | | |
|---|-------------|------|------------|--------------|----------|--------|----------|
| Stock-based compensation | — | — | 38.6 | — | 38.6 | — | 38.6 |
| Other activity related to non-controlling interests | — | — | — | — | — | (0.9) | (0.9) |
| Balances at September 30, 2023 | 477,843,818 | \$ — | \$ 2,908.1 | \$ (2,434.1) | \$ 474.0 | \$ 3.4 | \$ 477.4 |
| For the three months ended September 30, 2022: | | | | | | | |
| Balances at June 30, 2022 | 429,957,017 | \$ — | \$ 2,636.4 | \$ (1,884.2) | \$ 752.2 | \$ 3.6 | \$ 755.8 |
| Net loss | — | — | — | (154.2) | (154.2) | 0.1 | (154.1) |
| Issuance of common stock in connection with acquisitions | 211,400 | — | 1.2 | — | 1.2 | — | 1.2 |
| Issuance of common stock upon exercise of stock options | 417,056 | — | 0.9 | — | 0.9 | — | 0.9 |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | 2,904,225 | — | (5.7) | — | (5.7) | — | (5.7) |
| Vesting of early exercised stock options | — | — | 3.1 | — | 3.1 | — | 3.1 |
| Issuance of common stock under the Employee Stock Purchase Plan | 578,921 | — | 2.3 | — | 2.3 | — | 2.3 |
| Stock-based compensation | — | — | 38.1 | — | 38.1 | — | 38.1 |
| Balances at September 30, 2022 | 434,068,619 | \$ — | \$ 2,676.3 | \$ (2,038.4) | \$ 637.9 | \$ 3.7 | \$ 641.6 |

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Compass, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In millions, except share amounts, unaudited)

| | |
|--|--------------|
| | Common Stock |
| | Common Stock |
| | Common Stock |
| | Shares |
| | Shares |
| | Shares |
| For the three months ended March 31, 2024: | |
| For the three months ended March 31, 2024: | |
| For the three months ended March 31, 2024: | |
| Balances at December 31, 2023 | |
| Balances at December 31, 2023 | |
| Balances at December 31, 2023 | |
| Net loss | |
| Net loss | |
| Net loss | |
| Issuance of common stock in connection with acquisitions | |
| Issuance of common stock in connection with acquisitions | |
| Issuance of common stock in connection with acquisitions | |
| Issuance of common stock upon exercise of stock options | |
| Issuance of common stock upon exercise of stock options | |
| Issuance of common stock upon exercise of stock options | |

| | | | | | | | | | |
|---|-------------------------------|-------------|------|-----------------|---------------------|--|--------------------------|----------|----------------------------|
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | | |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | | |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | | |
| | Common Stock | | | Additional | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | Paid-in Capital | Accumulated Deficit | Total Compass, Inc. Stockholders' Equity | Non-controlling Interest | | Total Stockholders' Equity |
| | Shares | Amount | | Additional | | | | | |
| For the nine months ended September 30, 2023: | | | | Paid-in Capital | Accumulated Deficit | Total Compass, Inc. Stockholders' Equity | Non-controlling Interest | | Total Stockholders' Equity |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | | | | | | |
| Stock-based compensation | | | | | | | | | |
| Stock-based compensation | | | | | | | | | |
| Stock-based compensation | | | | | | | | | |
| Balances at March 31, 2024 | | | | | | | | | |
| Balances at March 31, 2024 | | | | | | | | | |
| Balances at March 31, 2024 | | | | | | | | | |
| For the three months ended March 31, 2023: | | | | | | | | | |
| For the three months ended March 31, 2023: | | | | | | | | | |
| For the three months ended March 31, 2023: | | | | | | | | | |
| Balances at December 31, 2022 | | | | | | | | | |
| Balances at December 31, 2022 | | | | | | | | | |
| Balances at December 31, 2022 | Balances at December 31, 2022 | 438,098,194 | \$ — | \$ 2,713.6 | \$ (2,196.5) | \$ 517.1 | \$ 3.6 | \$ 520.7 | |
| Net loss | Net loss | — | — | — | (237.6) | (237.6) | 1.3 | (236.3) | |
| Issuance of common stock in connection with acquisitions | | | | | | | | | |
| Issuance of common stock upon exercise of stock options | | | | | | | | | |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | | |
| Vesting of early exercised stock options | | | | | | | | | |
| Issuance of common stock in connection with the 2022 Agent Equity Program | | | | | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | | | | | | |
| Issuance of common stock in connection with the Strategic Transaction | | | | | | | | | |
| Stock-based compensation | | | | | | | | | |
| Other activity related to non-controlling interests | | | | | | | | | |
| Balances at September 30, 2023 | | 477,843,818 | \$ — | \$ 2,908.1 | \$ (2,434.1) | \$ 474.0 | \$ 3.4 | \$ 477.4 | |

| For the nine months ended September 30, 2022: | | | | | | | | |
|---|---|-------------|------|-----------|--------------|----------|--------|----------|
| Balances at December 31, 2021 | | 409,267,751 | \$ — | \$ 2438.8 | \$ (1,595.0) | \$ 843.8 | \$ 3.8 | \$ 847.6 |
| Net loss | | | | | | | | |
| Net loss | Net loss | — | — | — | (443.4) | (443.4) | (0.1) | (443.5) |
| Issuance of common stock in connection with acquisitions | Issuance of common stock in connection with acquisitions | 335,252 | — | 2.0 | — | 2.0 | — | 2.0 |
| Issuance of common stock in connection with acquisitions | | | | | | | | |
| Issuance of common stock in connection with acquisitions | | | | | | | | |
| Issuance of common stock upon exercise of stock options | | | | | | | | |
| Issuance of common stock upon exercise of stock options | | | | | | | | |
| Issuance of common stock upon exercise of stock options | Issuance of common stock upon exercise of stock options | 3,949,244 | — | 8.6 | — | 8.6 | — | 8.6 |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | Issuance of common stock upon settlement of RSUs, net of taxes withheld | 6,328,555 | — | (19.5) | — | (19.5) | — | (19.5) |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | |
| Issuance of common stock upon settlement of RSUs, net of taxes withheld | | | | | | | | |
| Vesting of early exercised stock options | Vesting of early exercised stock options | — | — | 5.3 | — | 5.3 | — | 5.3 |
| Issuance of common stock in connection with the 2021 Agent Equity Program | | 13,608,896 | — | 100.0 | — | 100.0 | — | 100.0 |
| Vesting of early exercised stock options | | | | | | | | |
| Vesting of early exercised stock options | | | | | | | | |
| Issuance of common stock in connection with the 2022 Agent Equity Program | | | | | | | | |
| Issuance of common stock in connection with the 2022 Agent Equity Program | | | | | | | | |
| Issuance of common stock in connection with the 2022 Agent Equity Program | | | | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | | | | | | | | |
| Issuance of common stock under the Employee Stock Purchase Plan | Issuance of common stock under the Employee Stock Purchase Plan | 578,921 | — | 2.3 | — | 2.3 | — | 2.3 |

| | | | | | | | | |
|---|--------------------------|-------------|------|------------|--------------|----------|--------|----------|
| Stock-based compensation | Stock-based compensation | — | — | 138.8 | — | 138.8 | — | 138.8 |
| Balances at September 30, 2022 | | 434,068,619 | \$ — | \$ 2,676.3 | \$ (2,038.4) | \$ 637.9 | \$ 3.7 | \$ 641.6 |
| Stock-based compensation | | | | | | | | |
| Stock-based compensation | | | | | | | | |
| Other activity related to non-controlling interests | | | | | | | | |
| Other activity related to non-controlling interests | | | | | | | | |
| Other activity related to non-controlling interests | | | | | | | | |
| Balances at March 31, 2023 | | | | | | | | |
| Balances at March 31, 2023 | | | | | | | | |
| Balances at March 31, 2023 | | | | | | | | |

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Compass, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions, unaudited)

| | | Nine Months Ended September 30, | | Three Months Ended March 31, | |
|---|--|--|-----------|------------------------------|------|
| | | 2023 | 2022 | 2024 | 2023 |
| Operating Activities | Operating Activities | Operating Activities | | | |
| Net loss | Net loss | \$(236.3) | \$(443.5) | | |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | Depreciation and amortization | 68.5 | 65.1 | | |
| Stock-based compensation | Stock-based compensation | 121.9 | 173.1 | | |
| Equity in loss of unconsolidated entity | Equity in loss of unconsolidated entity | 2.6 | 7.5 | | |
| Change in acquisition related contingent consideration | Change in acquisition related contingent consideration | 1.1 | (1.9) | | |
| Bad debt expense | Bad debt expense | 4.6 | 5.2 | | |
| Amortization of debt issuance costs | Amortization of debt issuance costs | 0.6 | 0.7 | | |
| Changes in operating assets and liabilities: | Changes in operating assets and liabilities: | Changes in operating assets and liabilities: | | | |
| Accounts receivable | Accounts receivable | (8.3) | 11.1 | | |
| Compass Concierge receivables | Compass Concierge receivables | 7.9 | (29.1) | | |
| Other current assets | Other current assets | 13.6 | 1.8 | | |

| | | | | | |
|---|---|--------|---------|-----------------------------|--|
| Other non-current assets | Other non-current assets | 11.5 | 1.9 | | |
| Operating lease right-of-use assets and operating lease liabilities | Operating lease right-of-use assets and operating lease liabilities | 7.6 | 5.8 | | |
| Accounts payable | Accounts payable | (5.8) | 5.9 | | |
| Commissions payable | Commissions payable | 29.0 | 2.2 | | |
| Accrued expenses and other liabilities | Accrued expenses and other liabilities | (5.7) | 20.3 | | |
| Net cash provided by (used in) operating activities | Net cash provided by (used in) operating activities | 12.8 | (173.9) | | |
| Investing Activities | Investing Activities | | | Investing Activities | |
| Investment in unconsolidated entity | Investment in unconsolidated entity | — | (15.0) | | |
| Investment in unconsolidated entity | | | | | |
| Investment in unconsolidated entity | | | | | |
| Capital expenditures | Capital expenditures | (8.9) | (56.9) | | |
| Cash acquired, net of payments for acquisitions | Cash acquired, net of payments for acquisitions | 0.7 | (15.0) | | |
| Net cash used in investing activities | Net cash used in investing activities | (8.2) | (86.9) | | |
| Financing Activities | Financing Activities | | | Financing Activities | |
| Proceeds from exercise of stock options | Proceeds from exercise of stock options | 4.2 | 8.6 | | |
| Proceeds from issuance of common stock under Employee Stock Purchase Plan | Proceeds from issuance of common stock under Employee Stock Purchase Plan | 2.5 | 2.3 | | |
| Taxes paid related to net share settlement of equity awards | Taxes paid related to net share settlement of equity awards | (17.9) | (19.5) | | |
| Proceeds from drawdowns on Concierge credit facility | Proceeds from drawdowns on Concierge credit facility | 44.7 | 47.0 | | |

| | | | | |
|---|--|---|----------|--|
| Repayments of drawdowns on Concierge credit facility | Repayments of drawdowns on Concierge credit facility | (48.7) | (26.7) | |
| Proceeds from drawdowns on Revolving credit facility | Proceeds from drawdowns on Revolving credit facility | 75.0 | — | |
| Repayments of drawdowns on Revolving credit facility | | (225.0) | — | |
| Proceeds from issuance of common stock in connection with the Strategic Transaction | | 32.3 | — | |
| Payments related to acquisitions, including contingent consideration | | | | |
| Payments related to acquisitions, including contingent consideration | | | | |
| Payments related to acquisitions, including contingent consideration | Payments related to acquisitions, including contingent consideration | (12.1) | (13.9) | |
| Other | Other | (1.5) | (0.4) | |
| Net cash used in financing activities | | (146.5) | (2.6) | |
| Net decrease in cash and cash equivalents | | (141.9) | (263.4) | |
| Net cash (used in) provided by financing activities | | | | |
| Net (decrease) increase in cash and cash equivalents | | | | |
| Cash and cash equivalents at beginning of period | Cash and cash equivalents at beginning of period | 361.9 | 618.3 | |
| Cash and cash equivalents at end of period | Cash and cash equivalents at end of period | \$ 220.0 | \$ 354.9 | |
| Supplemental disclosures of cash flow information: | Supplemental disclosures of cash flow information: | Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | Cash paid for interest | \$ 8.0 | \$ 1.5 | |
| Supplemental non-cash information: | Supplemental non-cash information: | Supplemental non-cash information: | | |
| Issuance of common stock for acquisitions | Issuance of common stock for acquisitions | \$ 10.6 | \$ 2.0 | |

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Compass, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business and Basis of Presentation

Description of the Business

Compass, Inc. (the "Company") was incorporated in Delaware on October 4, 2012 under the name Urban Compass, Inc. On January 8, 2021, the board of directors approved a change to the Company's name from Urban Compass, Inc. to Compass, Inc. On April 6, 2021, the Company completed its initial public offering ("IPO") and the Company's Class A common stock began trading on the New York Stock Exchange on April 1, 2021 under the symbol "COMP".

The Company provides an end-to-end platform that empowers its residential real estate agents to deliver exceptional service to seller and buyer clients. The Company's platform includes an integrated suite of cloud-based software for customer relationship management, marketing, client service and other critical functionality, all custom-built for the real estate industry, which enables the Company's core brokerage services. The platform also uses proprietary data, analytics, artificial intelligence, and machine learning to deliver high value recommendations and outcomes for Compass agents and their clients.

The Company's agents are independent contractors who affiliate their real estate licenses with the Company, operating their businesses on the Company's platform and under the Compass brand. The Company generates revenue from clients through its agents by assisting home sellers and buyers in listing, marketing, selling and finding homes as well as through the provision of services adjacent to the transaction, like title and escrow services, which comprise a smaller portion of the Company's revenue to date. The Company currently generates substantially all of its revenue from commissions paid by clients at the time that a home is transacted.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include the assets, liabilities, revenues and expenses of all controlled subsidiaries. The condensed consolidated statements of operations include the results of entities acquired from the date of each respective acquisition. Interests held by third parties in consolidated subsidiaries are presented as non-controlling interests, which represents the non-controlling stockholders' interests in the underlying net assets of the Company's consolidated subsidiaries. For entities where the Company does not have a controlling interest (financial or operating), the investments in such entities are accounted for using the equity method. The Company applies the equity method of accounting when it has the ability to exercise significant influence over the operating and financial policies of an investee. The Company measures all other investments at fair value with changes in fair value recognized in net income or in the case that an equity investment does not have readily determinable fair values, at cost minus impairment (if any) plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

The unaudited interim condensed consolidated financial statements and related disclosures have been prepared by management on a basis consistent with the annual consolidated financial statements and, in the opinion of management, include all adjustments necessary for a fair statement of the interim periods presented.

The results of the interim periods presented are not necessarily indicative of the results expected for the full year. Certain information and notes normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted under the SEC's rules and regulations. Accordingly, the unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2022 December 31, 2023 included in the 2022 2023 Form 10-K.

Liquidity

Since inception, the Company has primarily generated negative cash flows from operations and has primarily financed operations from net proceeds from the issuance of convertible preferred stock and common stock. In addition, a number of macroeconomic conditions, including rising inflation and rapidly rising mortgage interest rates, have contributed to a slowdown in the U.S. residential real estate market, which has had an adverse impact on the Company's business and may continue to adversely impact the Company's business in the future.

During the year years ended December 31, 2022 December 31, 2023 and the nine months ended September 30, 2023, 2022, the Company enacted various restructuring actions designed to improve the alignment between the Company's organizational structure and its long-term business strategy, drive cost efficiencies enabled by the Company's technology and other competitive advantages and continue to drive toward profitability and positive free cash flow. As the residential real estate market and related transaction volumes may remain challenging for the fourth quarter of 2023 and throughout 2024, operating losses and negative cash flows from operations will continue for certain quarterly periods in the foreseeable future. The Company will continue to assess the impact that changing macroeconomic factors and the slowdown of the U.S. residential real estate market, as well as other factors such as litigation risks, will have on its business and may need to adjust its operations, including further operating expense reductions, as necessary. There is no assurance that the Company will be successful in further adjusting its operating expenses to align to the changing real estate market conditions.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company held cash and cash equivalents of approximately \$220.0 million \$165.9 million and \$361.9 million \$166.9 million, respectively. Additionally, the Company has a Revolving Credit Facility that matures in March 2026, which it can draw upon provided it maintains continued compliance with certain financial and non-financial covenants. As of September 30, 2023 March 31, 2024, the Company had \$303.4 million \$310.9 million available to be drawn under the Revolving Credit Facility. Further, the Company is in compliance with each of the financial and non-financial covenants, covenants under the Revolving Credit Facility. See Note 5 — "Debt" for further details. The Company's operating cash flows vary depending on the seasonality of the real estate business. The Company believes that it will have sufficient liquidity from cash on hand, its Revolving Credit Facility and future operations to sustain its business operations for at least the next twelve months and beyond.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting periods covered by the condensed consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are used for, but not limited to (i) valuation of the Company's common stock and stock awards, (ii) fair value of acquired intangible assets and goodwill, (iii) fair value of contingent consideration arrangements in connection with business combinations, (iv) incremental borrowing rate used for the Company's operating leases, (v) useful lives of long-lived assets, (vi) impairment of intangible assets and goodwill, (vii) allowance for Compass Concierge receivables and (viii) income taxes and certain deferred tax assets. The Company determines its estimates and judgments based on historical experience and on various other assumptions that it believes are reasonable under the circumstances. However, actual results could differ from these estimates and these differences may be material.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. This method requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the condensed consolidated statements of operations. Acquisition costs, consisting primarily of third-party legal and consulting fees, are expensed as incurred.

Stock-Based Compensation

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Compensation expense is generally recognized as expense on a straight-line basis over the service period based on the vesting requirements. The Company recognizes forfeitures as they occur.

For stock options, which the Company issues to employees, affiliated agents and in certain cases in connection with business combinations, the Company generally estimates the fair value using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (1) the fair value of common stock, (2) the expected stock price volatility, (3) the expected term of the award, (4) the risk-free interest rate and (5) expected dividends.

The Company also issues RSUs to employees, affiliated agents and in certain cases in connection with business combinations. In addition to the issuance of RSUs to agents as equity compensation for the provision of services, the Company offered RSUs to affiliated agents through its Agent Equity Program. The Agent Equity Program offered affiliated agents the ability to elect to have a portion of their commissions earned during a calendar year to be paid in the form of RSUs. RSUs issued in connection with the Agent Equity Program were granted at the beginning of the year following the calendar year in which the commissions were earned and are subject to the terms and conditions of the 2012 Stock Incentive Plan and the 2021 Equity Incentive Plan, as applicable. The Company discontinued the Agent Equity Program following the issuance of RSUs during the first quarter of 2023 related to the 2022 Agent Equity Program.

The Company's RSUs granted prior to December 2020 generally vest based upon the satisfaction of both a service-based condition and a liquidity event-based condition. The service-based vesting condition for these awards is generally satisfied over four years. The liquidity event-based vesting condition was met on March 31, 2021, the effective date of the Company's registration statement filed in connection with the IPO, with subsequent expense recognized using the accelerated attribution method.

In December 2020, the Company began issuing RSUs that vest upon the satisfaction of only a service-based vesting condition that generally ranges from one to five years. The fair value of these RSUs is measured based on the fair value of the Company's common stock on the grant date and will be recognized as expense on a straight-line basis as the required service-based vesting condition is satisfied. Any vested RSUs that require only a service-based vesting condition will convert to common stock following vesting and their prescribed delayed settlement periods.

For RSUs granted in connection with the 2021 and 2022 Agent Equity Programs, Program the Company determined the value of the stock-based compensation expense at the time the underlying commission was earned and recognized the associated expense on a straight-line basis over the requisite service periods beginning on the closing date of the underlying real estate commission transactions. The stock-based compensation expense was recorded as a liability throughout the service periods and was reclassified to Additional paid-in capital at the end of the vesting period when the underlying RSUs were issued.

On a limited basis, the Company has issued stock options and RSUs that contain service, performance and market-based vesting conditions. Such awards were valued using a Monte Carlo simulation and the underlying expense will be recognized as the associated vesting conditions are met.

New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. An update was also issued expanding the scope of this guidance. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts or other transactions affected by reference rate reform if certain criteria are met. The guidance was issued on March 12, 2020 and may be applied prospectively through December 31, 2022. On December 21, 2022, December 2023, the FASB issued ASU 2022-06, R 2023-09, *Reference Rate Reform (Topic 848) Income Taxes - Deferral of Improvements to Income Tax Disclosures*. This standard includes enhanced income tax disclosures primarily related to the Sunset Date of Topic 848, which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. effective tax rate reconciliation and income taxes paid for annual periods. The Company is evaluating applicable contracts and transactions to determine whether to elect the optional guidance. amendments in this update are effective for public companies with fiscal years beginning after December 15, 2024, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

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 guidance amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The

amendment is effective for public companies with fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendment should be applied prospectively to business combinations occurring on or after the effective

date. The Company adopted this standard as of January 1, 2023, and the adoption did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326) - Troubled Debt Restructurings and Vintage Disclosures*, which requires enhanced disclosure of certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty while eliminating certain current recognition and measurement accounting guidance. This guidance also requires the disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases. The amendments in this guidance are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this standard as of January 1, 2023, and the adoption did not have a material impact on the Company's consolidated financial statements.

3. Acquisitions

During the nine three months ended September 30, 2023 March 31, 2024, the Company completed the acquisition of 100% of the ownership interests in two residential real estate brokerages a title insurance and acquired the assets of a smaller residential real estate brokerage. escrow settlement services company. The purpose of these acquisitions this acquisition was to expand the Company's existing brokerage business in title and escrow presence into a key domestic markets. market. The Company has accounted for these acquisitions this acquisition as a business combinations. combination.

The consideration for the acquisition completed during the three months ended March 31, 2023 March 31, 2024 is comprised of contingent consideration payable in the form of the Company's Class A common stock and cash at various payment dates through 2033 dependent on the future performance of the acquired business. At the time of acquisition, the purchase price was estimated to be \$8.8 million and was calculated at net present value using a variety of inputs and assumptions, the most significant of which were the forecasted future results of the acquired business. The consideration for the acquisitions completed during the three months ended September 30, 2023 is comprised of \$0.4 million of cash, net of cash acquired, \$6.8 million \$4.0 million in the Company's Class A common stock and up an additional \$0.5 million to \$4.0 million of additional Class A common stock that may be paid contingent on certain earnings-based targets being met through 2027. at a later date. Payments in excess of the original estimate may impact the Company's statement of operations in future periods. The future consideration amounts were amount was recorded as Accrued expenses and other current liabilities and within Other non-current liabilities in the condensed consolidated balance sheet.

For the nine three months ended September 30, 2023 March 31, 2024, the fair value of the assets acquired and the liabilities assumed, related to the 2023 acquisitions, 2024 acquisition, primarily resulted in the recognition of: \$10.8 million \$2.0 million of customer relationships; \$5.1 million \$0.4 million of other current and non-current assets; and \$6.1 million \$0.6 million of other current and non-current liabilities. The excess of the aggregate purchase price over the aggregate fair value of the acquired net assets was recorded as goodwill of \$10.2 million \$2.7 million. The acquired customer relationships are being amortized over the estimated useful lives life of approximately 5 years.

Approximately \$0.6 million None of the goodwill recorded during the nine three months ended September 30, 2023 March 31, 2024 is deductible for tax purposes. The amount of tax-deductible goodwill may increase in the future to approximately \$9.0 million dependent on the payment of certain contingent consideration arrangements. These amounts are not expected to have an impact on the income tax provision while the Company maintains a full valuation allowance on its U.S. deferred tax assets.

The Company has recorded the preliminary purchase price allocation as of the acquisition date and expects to finalize its analysis within the measurement period (up to one year from the acquisition date) of the respective transaction. Any adjustments during the measurement period would have a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, any subsequent adjustments are recorded to the consolidated statements of operations.

Pro forma revenue and earnings for this acquisition have not been presented because the acquisitions are acquisition is not material to the Company's consolidated revenue and results of operations.

Contingent Consideration

Contingent consideration represents obligations of the Company to transfer cash and common stock to the sellers of certain acquired businesses in the event that certain targets and milestones are met. Approximately \$1.6 million of the obligations as of September 30, 2023 are fixed in value. As of September 30, 2023 March 31, 2024, the undiscounted estimated payment under these arrangements was \$34.2 \$29.9 million. Changes in contingent consideration measured at fair value on a recurring basis were as follows (in millions):

| | | Three Months Ended | | Nine Months Ended | | | | Three Months Ended March 31, | | | |
|-----------------|-----------------|--------------------|--------|-------------------|--------|--|--|------------------------------|--|------|--|
| | | September 30, | | September 30, | | | | | | | |
| | | 2023 | 2022 | 2023 | 2022 | | | 2024 | | 2023 | |
| Opening balance | Opening balance | \$17.6 | \$21.7 | \$14.0 | \$24.4 | | | | | | |
| Acquisitions | Acquisitions | 4.0 | — | 12.8 | 3.6 | | | | | | |
| Payments | Payments | (3.3) | (4.6) | (9.1) | (10.6) | | | | | | |

| Changes in fair value included in net loss | Changes in fair value included in net loss | 0.5 | (1.6) | 1.1 | (1.9) |
|---|---|--------|--------|--------|--------|
| Closing balance | Closing balance | \$18.8 | \$15.5 | \$18.8 | \$15.5 |

Other Acquisition-Related Arrangements

In connection with the Company's acquisitions, certain amounts paid or to be paid to selling shareholders are subject to clawback and forfeiture dependent on certain employees and agents providing continued service to the Company. These retention-based payments are accounted for as compensation for future services and the Company recognizes the expenses over the service period. As of **September 30, 2023** **March 31, 2024**, the Company expects to pay up to an additional **\$4.5 million** **\$2.6 million** in future compensation to such selling shareholders in connection with these arrangements. For the three months ended **September 30, 2023** and **2022**, **March 31, 2023**, the Company recognized expense of **\$0.1 million** and **\$3.2 million**, respectively, and for the nine months ended **September 30, 2023** and **2022**, the Company recognized expense of **\$2.1 million** and **\$14.6 million**, respectively, **\$3.1 million** within Operations and support in the condensed consolidated statements of operations related to these arrangements.

During **Expense related to these arrangements was immaterial** for the **nine** three months ended **September 30, 2023**, certain acquisition-related compensation arrangements and holdbacks were settled in the form of Class A common stock. In connection with these settlements, the Company issued 2.7 million shares of Class A common stock. **March 31, 2024**.

4. Fair Value of Financial Assets and Liabilities

The Company's cash and cash equivalents of **\$220.0 million** **\$165.9 million** and **\$361.9 million** **\$166.9 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, are held in cash and money market funds, which are classified as Level 1 within the fair value hierarchy because they are valued using quoted prices in active markets. These are the Company's only Level 1 financial instruments. The Company does not hold any Level 2 financial instruments. The Company's contingent consideration liabilities of **\$18.8 million** **\$19.5 million** and **\$14.0 million** **\$20.9 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, are the Company's only Level 3 financial instruments.

See Note 3 – "Acquisitions" for changes in contingent consideration for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**. The following table presents the balances of contingent consideration as presented in the condensed consolidated balance sheets (in millions):

| | | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|--|--|-----------------------|----------------------|----------------|-------------------|
| Accrued expenses and other current liabilities | Accrued expenses and other current liabilities | \$ 5.1 | \$ 10.0 | | |
| Other non-current liabilities | Other non-current liabilities | 13.7 | 4.0 | | |
| Total contingent consideration | Total contingent consideration | \$ 18.8 | \$ 14.0 | | |

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the periods presented.

Level 3 Financial Liabilities

The Company's Level 3 financial liabilities relate to acquisition-related contingent consideration arrangements. Contingent consideration represents obligations of the Company to transfer cash or the Company's common stock to the sellers of certain acquired entities in the event that certain targets and milestones are met. The Company estimated the fair value of the contingent consideration using a variety of inputs, the most significant of which were the forecasted future results of the acquired businesses, not observable in the market. The impact of changes in these assumptions is not expected to result in material changes to the fair value of the Level 3 financial liabilities. Changes in the fair value of Level 3 financial liabilities are included within Operations and support in the condensed consolidated statements of operations (see Note 3 – "Acquisitions").

5. Debt

Concierge Credit Facility

In July 2020, the Company entered into a Revolving Credit and Security Agreement (the "Concierge Facility") with Barclays Bank PLC, as administrative agent, and the several lenders party thereto, which was subsequently amended on July 29, 2021, August 5, 2022 and August 4, 2023. The Concierge Facility provides for a \$75.0 million revolving credit facility and is solely used to finance, in part, the Company's Compass Concierge Program. The Concierge Facility is secured primarily by the Concierge Receivables and cash of the Compass Concierge Program.

Borrowings under the Concierge Facility bear interest at the term SOFR rate plus a margin of 2.75%. The two year commitment fee is 0.35% if the Concierge Facility is utilized greater than 50% and 0.50%, if the Concierge Facility is utilized less than 50%. On August 4, 2023, the revolving period under the Concierge Facility was extended to August 3,

2025. The interest rate on the drawn down portion of the Concierge Facility was 8.90% 8.24% as of September 30, 2023 March 31, 2024. Pursuant to the Concierge Facility, the principal amount, if any, is payable in full in January 2026, unless earlier terminated or extended.

The Company has the option to repay the borrowings under the Concierge Facility without premium or penalty prior to maturity. The Concierge Facility contains customary affirmative covenants, such as financial statement reporting requirements, as well as covenants that restrict the Company's ability to, among other things, incur additional indebtedness, sell certain receivables, declare dividends or make certain distributions, and undergo a merger or consolidation or certain other transactions. Additionally, in the event that the Company fails to comply with certain financial covenants that require the Company to meet certain liquidity-based measures, the commitments under the Concierge Facility will automatically be reduced to zero and the Company will be required to repay any outstanding loans under the Concierge Facility. As of September 30, 2023 March 31, 2024, the Company was in compliance with the covenants under the Concierge Facility.

The Concierge Facility includes customary events of default that include, among other things, nonpayment of principal, interest or fees, inaccuracy of representations and warranties, violation of certain covenants, bankruptcy and insolvency events, material judgments and change of control. The occurrence of an event of default could result in the acceleration of the obligations and/or the increase in the applicable interest rate under the Concierge Facility.

Revolving Credit Facility

In March 2021, the Company entered into a Revolving Credit and Guaranty Agreement (the "Revolving Credit Facility") with Barclays Bank PLC, as administrative agent and as collateral agent (the "Administrative Agent"), and certain other lenders, which was subsequently amended on May 1, 2023. The Revolving Credit Facility provides for a \$350.0 million revolving credit facility, subject to the terms and conditions of the Revolving Credit Facility. The Revolving Credit Facility also includes a letter of credit sublimit which is the lesser of (i) \$125.0 million and (ii) the aggregate unused amount of the revolving commitments then in effect under the Revolving Credit Facility. The Company's obligations under the Revolving Credit Facility are guaranteed by certain of the Company's subsidiaries and are secured by a first priority security interest in substantially all of the assets of the Company and the Company's subsidiary guarantors.

Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at either (i) a floating rate per annum equal to the base rate plus a margin of 0.50% or (ii) a rate per annum equal to the secured overnight financing rate ("SOFR") plus a margin of 1.50%. The base rate is equal to the highest of (a) the prime rate as quoted by The Wall Street Journal, (b) the federal funds effective rate plus 0.50%, (c) the SOFR term rate for a one-month interest period plus 1.00% and (d) 1.00%. The SOFR term rate is determined by the Administrative Agent as the forward-looking term rate plus a 0.10% adjustment. During an event of default under the Revolving Credit Facility, the applicable interest rates are increased by 2.0% per annum.

The Company is also obligated to pay other customary fees for a credit facility of this type, including a commitment fee on a quarterly basis based on amounts committed but unused under the Revolving Credit Facility of 0.175% per annum, fees associated with letters of credit and administrative and arrangement fees. The principal amount, if any, is payable in full in March 2026, unless earlier terminated or extended.

The Company has the option to repay the Company's borrowings, and to permanently reduce the loan commitments in whole or in part, under the Revolving Credit Facility without premium or penalty prior to maturity. As of September 30,

2023, March 31, 2024, there were no borrowings outstanding under the Revolving Credit Facility and outstanding letters of credit under the Revolving Credit Facility totaled approximately \$46.6 million \$39.1 million.

The Revolving Credit Facility contains customary representations, warranties, financial covenants applicable to the Company and its restricted subsidiaries, affirmative covenants, such as financial statement reporting requirements, and negative covenants which restrict their ability, among other things, to incur liens and indebtedness, make certain investments, declare dividends, dispose of, transfer or sell assets, make stock repurchases and consummate certain other matters, all subject to certain exceptions. The financial covenants require that (i) the Company maintains liquidity of at least \$150.0 million as of the last day of each fiscal quarter and each date of a credit extension and (ii) the Company's consolidated total revenue as of the last day of each fiscal quarter be equal to or greater than the specified amount corresponding to such period. The minimum required consolidated revenue threshold for the trailing four fiscal quarters is \$3,799.0 million during 2023 and \$4,668.0 million thereafter. As of September 30, 2023 March 31, 2024, the Company was in compliance with the financial covenants under the Revolving Credit Facility.

The Revolving Credit Facility includes customary events of default that include, among other things, nonpayment of principal, interest or fees, inaccuracy of representations and warranties, violation of certain covenants, cross default to certain other indebtedness, bankruptcy and insolvency events, material judgments, change of control and certain material ERISA events. The occurrence of an event of default could result in the acceleration of the obligations under the Revolving Credit Facility.

6. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines that a loss is both probable and reasonably estimable, a liability is recorded and disclosed if the amount is material to the Company's business taken as a whole. When a material loss contingency is only reasonably possible, the Company does not record a liability, but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such an estimate can reasonably be made. Legal costs related to the defense of loss contingencies are expensed as incurred.

Claims or regulatory actions against the Company, whether meritorious or not, could have an adverse impact on the Company due to legal costs, diversion of management resources and other elements. The Except as identified with respect to the matters below, the Company does not believe that the outcome of any individual existing legal or

regulatory proceeding to which it is a party will have a material adverse effect on its results of operations, financial condition or overall business in each case, taken as a whole.

Don Real Estate Commission Sell-Side Antitrust Litigation

The Company and its subsidiaries have been named as defendants in ten putative class action lawsuits and one individual lawsuit (the "Antitrust Lawsuits") that allege, among other things, violations of Section 1 of the Sherman Act, 15 U.S.C. § 1.

Five of the putative class action lawsuits, captioned Gibson, Lauren Criss, and John Meiners et al. v. National Association of Realtors, Compass, Inc. et al., eXp World Holdings, Inc. No. 4:23-cv-00788-FJG (W.D. Mo.) ("Gibson"), Redfin Corporation, Weichert Realtors, United Real Estate, Howard Hanna Real Estate Services, and Douglas Elliman, Inc.

On filed on October 31, 2023, counsel for Don Gibson, Lauren Criss, Grace v. National Association of Realtors, et al., No. 3:23-cv-06352 (N.D. Cal.) ("Grace"), filed on December 8, 2023, Umpa, et al. v. National Association of Realtors, et al., 4:23-cv-00945 (W.D. Mo.) ("Umpa"), filed on December 27, 2023, Fierro, et al. v. National Association of Realtors, et al., Case No. 2:24-cv-00449 (C.D. Cal.) ("Fierro"), filed on January 17, 2024, and John Meiners Boykin v. National Association of Realtors, et al., No. 2:24-cv-00340 (D. Nev.) ("Boykin"), filed a putative class action complaint against on February 16, 2024, name the Company as a defendant and allege, among other things, that certain trade associations, including the National Association of Realtors, eXp World Holdings, Inc., Redfin Corporation, Weichert Realtors, United Real Estate, Howard Hanna Real Estate, multiple listing services, and Douglas Elliman, Inc. (collectively, "Gibson Defendants") in the United States District Court for the Western District of Missouri (the "Gibson Lawsuit"). The complaint alleges that Gibson Defendants real estate brokerages engaged in a continuing contract, combination, or conspiracy to unreasonably unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. On March 20, 2024, the

Boykin matter was terminated and consolidated with Whaley v. Arizona Association of Realtors, Case No. 2:24-cv-00105 (D. Nev.) ("Whaley"), filed on January 15, 2024. The plaintiffs in the Gibson and Umpa matters allege a nationwide scope, while the Grace and Fierro matters are limited in scope to Northern California and Southern California, respectively.

Two of the putative class action lawsuits, March v. Real Estate Board of New York, et al., No. 1:23-cv-09995 (S.D.N.Y.) ("March"), filed on November 13, 2023, and Friedman v. Real Estate Board of New York, et al., Case No. 1:23-cv-09601 (S.D.N.Y.) ("Friedman"), filed on January 18, 2024, name the Company as a defendant and allege, among other things, that the Real Estate Board of New York, and a number of real estate brokerages engaged in a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. The Friedman and March matters also allege violations of the Donnelly Act, N.Y. Gen. Bus. § 340, and the March matter further seeks injunctive relief pursuant to Section 16 of the Clayton Act, 15 U.S.C. § 26. The Friedman and March matters are limited in scope to the New York City boroughs of Brooklyn, and Manhattan, respectively.

One putative class action lawsuit, QJ Team, LLC, et al. v. Texas Association of Realtors, Inc., et al., No. 4:23-cv-01013 (E.D. Tx.) ("QJ Team"), filed on November 13, 2023, names Realty Austin, LLC, a subsidiary of the Company, is unable as a defendant and alleges, among other things, that certain trade associations, including the Texas Association of Realtors, and a number of real estate brokerages engaged in a continuing contract, combination, or conspiracy to predict unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. Martin, et al. v. Texas Association of Realtors, Inc., et al., No. 423-cv-01104 (E.D. Tx.) ("Martin"), filed on December 14, 2023, was consolidated into the QJ Team matter on March 21, 2024.

On December 27, 2023, plaintiffs in the Gibson and Umpa matters filed a motion before the United States Judicial Panel on Multidistrict Litigation ("JPML"), captioned In re Real Estate Commission Litigation, No. 48 (J.P.M.L.), seeking to transfer and consolidate for pretrial proceedings the Gibson, Umpa, Grace, March, QJ Team, Martin, and three additional putative class actions to which the Company has not been named as a party, to one multidistrict litigation. On April 12, 2024, the JPML denied consolidation at this action or time based on the procedural posture of the litigation and recent nationwide class settlements. The defendants in the Martin, QJ Team, March, Fierro and Whaley matters will have to reasonably estimate respond to the possible loss or range complaints now that the JPML has ruled on consolidation and the stays in these matters have been lifted.

On March 21, 2024, the Company entered into a settlement agreement to resolve the Gibson and Umpa cases on a nationwide basis. The settlement resolves all claims in these cases and similar claims in other lawsuits alleging claims on behalf of loss, if any, arising sellers on a nationwide basis against the Company and its subsidiaries (collectively, the "Claims") and releases the Company, its subsidiaries and affiliated agents from the claim asserted therein. Claims. Under the settlement agreement, the Company agreed to pay \$57.5 million and make certain changes to its business practices. The proposed settlement agreement remains subject to preliminary and final court approval and will become effective upon such final approval. The Gibson and Umpa matters were stayed as to the Company plans to vigorously defend itself against all claims, on March 25, 2024.

Mya Wang v. National Ass'n of Realtors et al., Case No. 1:24-cv-02371 (S.D.N.Y.) ("Wang"), an individual lawsuit filed on March 28, 2024, names the Company as a defendant and alleges, among other things, that certain trade associations, including the National Association of Realtors and the Real Estate Board of New York, and a number of real estate brokerages engaged in a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. Responses to the Wang complaint are due May 27, 2024.

During the three months ended March 31, 2024, the Company recognized an expense of \$57.5 million within General and administrative expense in the condensed consolidated statements of operations in connection with the proposed settlement agreement. 50% of the proposed settlement is expected to be paid within 30 days of the court's preliminary approval, which the Company expects to be in the second quarter of 2024, and the remaining 50% within one year of the court's preliminary approval.

Batton, Aaron Bolton, Michael Brace, Do Yeon Irene Kim, Anna James, James Mullis, and Theodore Bisbicos et al. v. Compass, Inc., eXp World Holdings, Inc., Redfin Corporation, Weichert Realtors, United Real Estate Group, Howard Hanna Real Estate Services, and Douglas Elliman, Inc. et al.

On **Batton, et al. v. Compass, Inc., et al., No. 1:23-cv-15618 (N.D. Ill.)** (“**Batton II**”), filed on November 2, 2023, **counsel for Mya Batton, Aaron Bolton, Michael Brace, Do Yeon Irene Kim, Anna James, James Mullis, and Theodore Bisbicos** filed a putative class action against names the Company **eXp World Holdings, Inc., Redfin Corporation, Weichert Realtors, United Real Estate Group, Howard Hanna Real Estate Services, and Douglas Elliman, Inc.** (collectively, “**Batton Defendants**”) in the United States District Court for the Northern District of Illinois (together with the “**Gibson Lawsuit,**” the “**Antitrust Lawsuits**”). The complaint **seven other brokerages as defendants and alleges that the Batton Defendants** entered into a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of

Section 1 of the Sherman Act, 15 U.S.C. § 1 and state law antitrust statutes, violated state consumer protection statutes, and were unjustly enriched by industry rules that set the manner by which buyer’s brokers are compensated. The **allegations in Batton II** are substantially similar to those contained in the case captioned **Batton, et al. v. National Association of Realtors, et al., No.**

1:21-cv-00430 (N.D. Ill.) (“**Batton I**”), filed on January 25, 2021, which does not name the Company but names the National Association of Realtors and seven other brokerages. The Company and the defendants in the **Batton II** matter filed a motion to dismiss the complaint on April 15, 2024.

The Company is unable to predict the outcome of **this action Batton II** or to reasonably estimate the possible loss or range of loss, if any, arising from the claim asserted therein. The Company plans to vigorously defend itself against all claims; ultimate resolution of **Batton II** could have a material adverse effect on the Company’s financial position, results of operations, and cash flow.

Letter of Credit Agreements

The Company has irrevocable letters of credit with various financial institutions, primarily related to security deposits for leased facilities. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company was contingently liable for **\$54.4 million** **\$39.1 million** and **\$48.0 million** **\$44.4 million**, respectively, under these letters of credit. As of **September 30, 2023** **March 31, 2024**, **\$46.6 million** **\$39.1 million** of these letters of credit were collateralized by the Revolving Credit Facility. As of **December 31, 2023**, **\$43.8 million** and **\$7.8 million** **\$0.6 million** of these letters of credit were collateralized by the Revolving Credit Facility and cash and cash equivalents, respectively. As of **December 31, 2022**, **\$33.0 million** and **\$15.0 million** of these letters of credit were collateralized by the **Revolving Credit Facility and Company’s** cash and cash equivalents, respectively.

Escrow and Trust Deposits

As a service to its home buyers and sellers, the Company administers escrow and trust deposits, which represent undistributed amounts for the settlement of real estate transactions. The escrow and trust deposits totaled **\$153.5 million** **\$213.1 million** and **\$136.7 million** **\$120.0 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. These deposits are not assets of the Company and therefore are excluded from the accompanying condensed consolidated balance sheets. However, the Company remains contingently liable for the disposition of these deposits.

7. Preferred Stock and Common Stock

Undesignated Preferred Stock

In April 2021, the Company adopted a restated certificate of incorporation, which authorizes the Company to issue up to 25.0 million shares of undesignated preferred stock with a \$0.00001 par value per share. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there are no shares of the Company’s preferred stock issued and outstanding.

Common Stock

In February 2021, the Company approved the establishment of Class C common stock and an agreement with the Company’s CEO to exchange his Class A common stock for Class C common stock. **On March 31, 2021, in connection with the effectiveness of the registration statement for the Company’s IPO, 15.2 million shares of Class A common stock held by the Company’s CEO were automatically exchanged for an equivalent number of shares of Class C common stock. In addition, any**Any Class A common stock issued to the Company’s CEO from RSU awards granted prior to February 2021 are able to be exchanged for Class C common stock. Each share of Class C common stock is entitled to twenty votes per share and will be convertible at any time into one share of Class A common stock and will automatically convert into Class A common stock under certain “sunset” provisions. Other than certain permitted transfers for estate planning purposes, upon a transfer of Class C common stock, the Class C common stock will **automatically** convert into Class A common stock.

In April 2021, the Company adopted a restated certificate of incorporation and changed its authorized capital stock to consist of 12.5 billion shares of Class A common stock, 1.25 billion shares of Class B common stock and 100 million shares of Class C common stock. **Shares of each**Each class of common stock have a **has** par value of \$0.00001.

The following tables reflect the authorized, issued and outstanding shares for each of the classes of common stock as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

| | | September 30, 2023 | | | March 31, 2024 | | |
|----------------------|----------------------|--------------------|---------------|--------------------|-------------------|---------------|--------------------|
| | | Shares Authorized | Shares Issued | Shares Outstanding | Shares Authorized | Shares Issued | Shares Outstanding |
| Class A common stock | Class A common stock | 12,500,000,000 | 458,904,462 | 458,904,462 | | | |

| | | | | |
|----------------------|----------------------|----------------|-------------|-------------|
| Class B common stock | Class B common stock | 1,250,000,000 | — | — |
| Class C common stock | Class C common stock | 100,000,000 | 18,939,356 | 18,939,356 |
| Total | Total | 13,850,000,000 | 477,843,818 | 477,843,818 |

| | | December 31, 2022 | | | December 31, 2023 | | |
|----------------------|----------------------|-------------------|---------------|--------------------|-------------------|---------------|--------------------|
| | | Shares Authorized | Shares Issued | Shares Outstanding | Shares Authorized | Shares Issued | Shares Outstanding |
| Class A common stock | Class A common stock | 12,500,000,000 | 419,842,991 | 419,842,991 | | | |
| Class B common stock | Class B common stock | 1,250,000,000 | — | — | | | |
| Class C common stock | Class C common stock | 100,000,000 | 18,255,203 | 18,255,203 | | | |
| Total | Total | 13,850,000,000 | 438,098,194 | 438,098,194 | | | |

Holders of Class A common stock are entitled to one vote per share. Holders of Class B common stock are not entitled to vote. Holders of Class C common stock are entitled to twenty votes per share.

Each share of Class C common stock is convertible at any time at the option of the holder into one share of Class A common stock. Each share of Class C common stock will automatically convert into a share of Class A common stock upon sale or transfer, except for certain permitted transfers.

Strategic Transaction

In August 2023, the Company entered into a definitive asset purchase agreement with a Canadian real estate proptech company (the "Strategic Transaction") under which the Company received \$32.3 million of cash in exchange for 9.0 million shares of Class A common stock and committed to make an additional contingent payment in the form of Class A common stock or cash, as determined by the Company. The contingent payment is dependent on a volume-weighted stock price target for the Company's Class A common stock and is payable up to a maximum of \$5.5 million in May 2025 (unless the volume-weighted stock price target is triggered). As of September 30, 2023, the Company has estimated a liability of \$2.3 million in connection with this contingent arrangement and has included the amount in the Accrued expenses and other current liabilities line of its condensed consolidated balance sheet.

8. Stock-Based Compensation

2012 Stock Incentive Plan

In October 2012, the Company adopted the 2012 Stock Incentive Plan (the "2012 Plan"). Under the 2012 Plan, employees and non-employees could be granted stock options, RSUs and other stock-based awards, including awards earned in connection with the Agent Equity Program awards. Generally, these awards were based on stock agreements with a maximum ten-year term for stock options and a maximum seven-year term for RSUs, subject to board approval.

2021 Equity Incentive Plan

In February 2021, the Company's board of directors and stockholders adopted and approved the 2021 Equity Incentive Plan (the "2021 Plan"), with an initial pool of 29.7 million shares of common stock available for granting stock-based awards plus any reserved shares of common stock not issued or subject to outstanding awards granted under the 2012 Plan. In addition, on January 1st of each year beginning in 2022 and continuing through 2031, the aggregate number of shares of common stock authorized for issuance under the 2021 Plan shall be increased automatically by the number of shares equal to 5% of the total number of outstanding shares of common stock and outstanding shares of preferred stock (on an as converted to common stock basis) on the immediately preceding December 31st, although the Company's board of directors or one of its committees may reduce the amount of such increase in any particular year. The 2021 Plan became effective on March 30, 2021 and as of that date, the Company ceased granting new awards under the 2012 Plan and all remaining shares available under the 2012 Plan were transferred to the 2021 Plan. Effective January 1, 2023 January 1, 2024, the shares available for future grants were increased by an additional 21.9 million 24.2 million shares as a result of the annual increase provision described above. As of September 30, 2023 March 31, 2024, there were 33.7 million 59.8 million shares available for future grants under the 2021 Plan, inclusive of those shares transferred from the 2012 Plan.

2021 Employee Stock Purchase Plan

In February 2021, the Company's board of directors and stockholders adopted and approved the 2021 Employee Stock Purchase Plan (the "ESPP"), which with an initial pool of 7.4 million shares of Class A common stock available for authorized purchase rights to the Company's employees or to employees of its designated affiliates. In addition, on January 1st

of each year beginning in 2022 and continuing through 2031, the aggregate number of shares of common stock authorized for issuance under the ESPP shall be increased automatically by the number

of shares equal to 1% of the total number of outstanding shares of common stock and outstanding shares of preferred stock (on an as converted to common stock basis) on the immediately preceding December 31st, although the Company's board of directors or one of its committees may reduce the amount of the increase in any particular year. No more than 150.0 million shares of common stock may be issued over the term of the ESPP, subject to certain exceptions set forth in the ESPP. Effective January 1, 2023 January 1, 2024, the authorized shares increased by 4.2 million 4.7 million shares as a result of the annual increase provision described above. As of September 30, 2023 March 31, 2024, 14.1 million 18.4 million shares of Class A common stock remain available for grant under the ESPP.

The ESPP permits employees to purchase shares of the Company's Class A common stock through payroll deductions accumulated during six-month offering periods up to a maximum value of \$12,500 per offering period. The offering periods begin each February and August, or such other period determined by the Compensation Committee. On each purchase date, eligible employees may purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's Class A common stock on the first trading day of the offering period, or (2) the fair market value of the Company's Class A common stock on the purchase date, as defined in the ESPP. During the nine three months ended September 30, 2023 March 31, 2024, the Company issued 0.8 million 0.4 million shares of Class A common stock under the ESPP.

The Company recognized \$0.4 \$0.3 million and \$1.0 \$0.3 million of stock-based compensation expense related to the ESPP during the three and nine months ended September 30, 2023 March 31, 2024, respectively, and \$0.7 million and \$1.7 million during the three and nine months ended September 30, 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, \$0.4 \$0.3 million has been withheld on behalf of employees for a future purchase under the ESPP.

Stock Options

A summary of stock option activity under the 2012 Plan and the 2021 Plan, including 1.1 million stock options that were granted outside of the 2012 Plan in 2019, is presented below (in millions, except share and per share amounts):

| | | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Term (in years) | Aggregate Intrinsic Value ⁽¹⁾ | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Term (in years) | Aggregate Intrinsic Value ⁽¹⁾ |
|--|-----------|----------------------|--|--|--|----------------------|------------------------------------|--|--|
| Balance as of December 31, 2022 | | 46,694,237 | \$ 5.44 | 5.9 | \$ 8.5 | | | | |
| Balance as of December 31, 2023 | | | | | | | | | |
| Granted | Granted | 220,680 | 3.86 | | | | | | |
| Exercised | Exercised | (2,745,170) | 1.51 | | | | | | |
| Exercised | | | | | | | | | |
| Exercised | | | | | | | | | |
| Forfeited | Forfeited | (2,729,899) | 6.76 | | | | | | |
| Balance as of September 30, 2023 | | 41,439,848 | \$ 5.60 | 5.4 | \$ 10.9 | | | | |
| Exercisable and vested at September 30, 2023 | | 35,211,540 | \$ 5.12 | 5.1 | \$ 10.9 | | | | |
| Forfeited | | | | | | | | | |
| Forfeited | | | | | | | | | |
| Balance as of March 31, 2024 | | | | | | | | | |
| Balance as of March 31, 2024 | | | | | | | | | |
| Balance as of March 31, 2024 | | | | | | | | | |
| Exercisable and vested at March 31, 2024 | | | | | | | | | |

- (1) The aggregate intrinsic values have been calculated using the Company's closing stock prices of \$2.90 \$3.60 and \$2.33 \$3.76 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the intrinsic value of options exercised was **\$5.9 million** **\$3.2 million** and **\$20.1 million** **\$1.7 million**, respectively.

Restricted Stock Units

A summary of RSU activity under the 2012 Plan and the 2021 Plan is presented below:

| | | Weighted Average Grant Date Fair Value | Number of Awards | Weighted Average Grant Date Fair Value |
|---|---|--|------------------|--|
| | | | | |
| Balance as of December 31, 2022 | 47,189,837 | \$ 7.10 | | |
| Balance as of December 31, 2023 | | | | |
| Granted | Granted | 36,924,173 | 3.41 | |
| Vested and converted to common stock ⁽¹⁾ | Vested and converted to common stock ⁽¹⁾ | (29,399,902) | 4.90 | |
| Forfeited | Forfeited | (6,232,581) | 7.49 | |
| Balance as of September 30, 2023 | 48,481,527 | \$ 5.57 | | |
| Balance as of March 31, 2024 | | | | |

- (1) During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Company net settled all RSUs through which it issued an aggregate of **29.4 million** **5.9 million** shares of Class A common stock and withheld an aggregate of **5.3 million** **2.2 million** shares of Class A common stock to satisfy **\$17.9** **\$7.4** million of tax withholding obligations on behalf of the Company's employees.

Included in the table above are 17.2 million RSUs that only vest upon the satisfaction of both (i) a service-based vesting condition and (ii) the achievement of performance-based vesting conditions that remain outstanding as of September 30, 2023. The performance-based vesting conditions provide that 12.5% of the shares subject to the RSUs will vest subject to the achievement of a market price per share of \$23.14 of the Company's Class A common stock. An additional 12.5% of the shares subject to the RSUs will vest upon the achievement of a market price per share of the Company's Class A common stock at each of 200%, 250%, 300%, 350%, 400%, 450% and 500% of the reference price.

Agent Equity Program

In connection with the 2021 Agent Equity Program, the Company recognized a total of \$100.0 million in stock-based compensation expense of which \$84.8 million was recognized during the year ended December 31, 2021 and \$15.2 million was recognized during the nine months ended September 30, 2022. In February 2022, the Company granted 13.6 million RSUs, which immediately vested and converted to Class A common stock in connection with the 2021 Agent Equity Program. Prior to the issuance of the underlying RSUs, the stock-based compensation expense associated with these awards was recorded as a liability and \$100.0 million was ultimately reclassified to Additional paid-in capital at the end of the vesting period when the underlying RSUs were granted.

In connection with the 2022 Agent Equity Program, the Company recognized a total of \$53.3 million in stock-based compensation expense of which \$41.7 million was recognized during the year ended December 31, 2022 and \$11.6 million was recognized during the **nine** **three** months ended **September 30, 2023** **March 31, 2023**. In January 2023, the Company granted 14.1 million RSUs, which immediately vested and converted to Class A common stock in connection with the 2022 Agent Equity Program. Prior to the issuance of the underlying RSUs, the stock-based compensation expense associated with these awards was recorded as a liability and \$53.3 million was ultimately reclassified to Additional paid-in capital at the end of the vesting period when the underlying RSUs were granted. Following the issuance of these RSUs, the Company discontinued the Agent Equity Program.

Stock-Based Compensation Expense

Total stock-based compensation expense included in the condensed consolidated statements of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows (in millions):

| | | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 | Three Months Ended March 31, 2024 | 2023 |
|--|--|---------------------------------------|--------------------------------------|-----------------------------------|------|
| | | 2023 | 2022 | 2024 | 2023 |

| | | | | | |
|--|--|--------|--------|---------|---------|
| Commissions and other related expense | Commissions and other related expense | \$ — | \$12.7 | \$ 11.6 | \$ 36.1 |
| Sales and marketing | Sales and marketing | 8.8 | 10.8 | 26.4 | 32.7 |
| Operations and support | Operations and support | 4.5 | 3.9 | 11.6 | 12.3 |
| Research and development | Research and development | 11.4 | 9.4 | 34.4 | 45.2 |
| General and administrative | General and administrative | 13.3 | 13.3 | 37.9 | 46.8 |
| Total stock-based compensation expense | Total stock-based compensation expense | \$38.0 | \$50.1 | \$121.9 | \$173.1 |

As of September 30, 2023 March 31, 2024, unrecognized stock-based compensation expense totaled \$202.4 million \$182.0 million and is expected to be recognized over a weighted-average period of 2.1 1.9 years.

The Company has not recognized any tax benefits from stock-based compensation as a result of the full valuation allowance maintained on its deferred tax assets.

9. Income Taxes

The Company recognized \$0.5 million \$0.3 million of income tax benefit for the three and nine months ended September 30, 2023 March 31, 2024. This benefit resulted from a partial reduction in the valuation allowance related to the carryover tax basis in deferred tax liabilities from an acquisition netted with state income tax expense. Additionally, the Company incurred current tax expense from its operations in India, which was offset by a deferred tax benefit for future alternative minimum tax credits.

The Company recognized no benefit from income taxes for the three months ended September 30, 2022 and a benefit of \$1.4 million for the nine months ended September 30, 2022 March 31, 2023.

The Company continues to maintain a full valuation allowance on all domestic net deferred tax assets based on numerous factors including estimated future taxable income and historic profitability.

The Company had no material uncertain tax positions as of the period ended September 30, 2023 March 31, 2024 nor does it expect a substantial increase in the next 12 months. If applicable, the Company recognizes interest and penalties related to uncertain tax positions in the income tax provision.

The U.S. is the Company's only material tax jurisdiction. The Company is generally no longer subject to U.S. federal examination by the Internal Revenue Service ("IRS") for years before 2015. The IRS and state taxing authorities can subject the Company to audit dating back to 2012 when the Company begins to utilize its net operating loss carryforwards.

10. Net Loss Per Share Attributable to Compass, Inc.

The Company computes net loss per share under the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock, Class B common stock and Class C common stock are substantially identical, other than voting rights. Accordingly, the net loss per share attributable to Compass, Inc. will be the same for Class A common stock, Class B common stock and Class C common stock on an individual or combined basis.

The following table sets forth the computation of basic and diluted net loss per share attributable to Compass, Inc. (in millions, except share and per share amounts):

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | | | |
|--|--|----------------------------------|------|---------------------------------|------|--|--|
| | | 2023 | 2022 | 2023 | 2022 | | |
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|---|---|--------------|-------------|-------------|-------------|----|---------|----|---------|
| Net loss attributable to Compass, Inc. | Net loss attributable to Compass, Inc. | \$ | (39.4) | \$ | (154.2) | \$ | (237.6) | \$ | (443.4) |
| Denominator: | Denominator: | Denominator: | | | | | | | |
| Weighted-average number of shares outstanding used to compute net loss per share attributable to Compass, Inc., basic and diluted | Weighted-average number of shares outstanding used to compute net loss per share attributable to Compass, Inc., basic and diluted | 470,945,736 | 432,459,739 | 460,730,792 | 425,338,530 | | | | |
| Net loss per share attributable to Compass, Inc., basic and diluted | Net loss per share attributable to Compass, Inc., basic and diluted | \$ | (0.08) | \$ | (0.36) | \$ | (0.52) | \$ | (1.04) |

The following participating securities were excluded from the computation of diluted net loss per share attributable to Compass, Inc. for the periods presented, because including them would have been anti-dilutive (on an as-converted basis):

| Three Months Ended March 31, | | | | | | Three Months Ended March 31, | | | | | | Three Months Ended March 31, | | | | | |
|--|--|----------------------------------|------------|------------|------------|---------------------------------|--|------|--|--|--|------------------------------|--|--|--|--|--|
| 2024 | | | | | | 2024 | | | | | | 2023 | | | | | |
| | | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | | | | | | | | | |
| | | 2023 | | 2022 | | 2023 | | 2022 | | | | | | | | | |
| Outstanding stock options | | | | | | | | | | | | | | | | | |
| Outstanding stock options | | | | | | | | | | | | | | | | | |
| Outstanding stock options | Outstanding stock options | 41,439,848 | 47,553,271 | 41,439,848 | 47,553,271 | | | | | | | | | | | | |
| Outstanding RSUs | Outstanding RSUs | 48,481,527 | 46,357,027 | 48,481,527 | 46,357,027 | | | | | | | | | | | | |
| Shares subject to the Employee Stock Purchase Plan | Shares subject to the Employee Stock Purchase Plan | 685,943 | 733,515 | 685,943 | 733,515 | | | | | | | | | | | | |

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|--|--|------------|------------|------------|------------|
| Unvested early exercised stock options | Unvested early exercised stock options | 29,070 | 135,360 | 29,070 | 135,360 |
| Unvested common stock | Unvested common stock | — | 156,252 | — | 156,252 |
| Contingent common stock to be issued in connection with the Strategic Transaction | | 1,791,802 | — | 1,791,802 | — |
| Contingent common stock to be issued in connection with the Strategic Transaction ⁽¹⁾ | | | | | |
| Total | Total | 92,428,190 | 94,935,425 | 92,428,190 | 94,935,425 |

(1) In August 2023, the Company entered into a definitive asset purchase agreement with a Canadian real estate proptech company (the "Strategic Transaction") under which the Company received \$32.3 million of cash in exchange for 9.0 million shares of Class A common stock and committed to make an additional contingent payment in the form of Class A common stock or cash, as determined by the Company. The contingent payment is dependent on a volume-weighted stock price target for the Company's Class A common stock and is payable up to a maximum of \$5.5 million in May 2025 (unless the volume-weighted stock price target is triggered).

11. Compass Concierge Receivables and Allowance for Credit Losses

In 2018, the Company launched the Compass Concierge Program for home sellers who have engaged Compass as their exclusive listing agent. The initial program was based on a services model ("Concierge Classic") provided by Compass

Concierge, LLC ("Compass Concierge"), which included items such as consultation on suggested cosmetic updates or modifications to a specific property or guidance on securing licensed contractors or vendors to perform non-structural property improvements. The Concierge Classic program provided for the payment of the up-front costs of specified home improvement services provided by unrelated vendors. During 2022, the Company substantially ceased providing new payments under the Concierge Classic program.

In 2019, the Compass Concierge Program was expanded to include a loan program underwritten by an independent third-party lender (the "Lender") through a commercial arrangement with Compass Concierge ("Concierge Capital"). Under the Concierge Capital program, the Lender originates and services unsecured consumer loans to home sellers following its independent underwriting process pursuant to program-level criteria provided by the Company. The Company has no right or obligation with respect to any individual consumer loan originated by the Lender. Under the agreement, the Company has repayment rights against the Lender in connection with a corporate loan.

Payment to the Company for these services under the Concierge Classic program or repayment of the loan funds under the Concierge Capital program is due upon the earlier of a successful home sale, the termination of the listing agreement or one year from the date in which costs were originally funded. Compass Concierge receivables ("Concierge Receivables") are stated at the amount advanced to the home sellers, net of an estimated allowance for credit losses ("ACL") in the accompanying condensed consolidated balance sheets. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company

did not recognize any material income from the Compass Concierge Program. The Company incurs service fees payable to the Lender and incurs bad debt expense in connection with the Compass Concierge Program.

The Company manages its credit risk by establishing a comprehensive credit policy for the approval of new loans while monitoring and reviewing the performance of its existing Concierge Receivables. Factors considered include but are not limited to:

- No negative liens or judgements on the property;
- Seller's available equity on the property;
- Loan to listing price ratio;
- FICO score (only for Concierge Capital program); and

- Macroeconomic conditions.

Credit Quality

The Company monitors credit quality by evaluating various attributes and utilizes such information in its evaluation of the appropriateness of the ACL. Based on the Company's experience, the key credit quality indicator is whether the underlying properties associated with the Concierge Receivables will be sold or not. Concierge Receivables associated with properties that are eventually sold have a lower credit risk than those that are associated with properties that are not sold. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the amount of outstanding Concierge Receivables related to unsold properties was approximately 97% and **98%** **97%**, respectively. For Concierge Receivables where repayments have not been triggered (i.e., earlier of (i) sale of the property, (ii) termination of a listing agreement or (iii) 12 months from the date costs were originally funded), the Company establishes an estimate as to the percentage of underlying properties that will be sold based on historical data. This estimate is updated as of the end of each reporting period.

Allowance for Credit Losses

The Company maintains an ACL for the expected credit losses over the contractual life of the Concierge Receivables. The amount of ACL is based on ongoing, quarterly assessments by management. Historical loss experience is generally the starting point when the Company estimates the expected credit losses. The Company then considers whether (i) current conditions and economic conditions, (ii) future economic conditions and (iii) any potential changes in the Compass

Concierge Program that are reasonable and supportable would impact its ACL. The following table summarizes the activity of the ACL for Concierge Receivables for the three **and nine** months ended **September 30, 2023** **March 31, 2024** (in millions):

| | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 |
|--------------------------|--|---|
| Beginning of period | \$ 14.2 | \$ 14.7 |
| Allowances | 0.2 | 0.7 |
| Net write-offs and other | (0.9) | (1.9) |
| End of period | \$ 13.5 | \$ 13.5 |

| | Three Months Ended March 31, 2024 |
|--------------------------|--------------------------------------|
| Beginning of period | \$ 13.2 |
| Allowances | 0.1 |
| Net write-offs and other | (0.1) |
| End of period | \$ 13.2 |

Aging Status

The Company generally considers Concierge Receivables to be past due after being outstanding for over 30 days after the initial billing. Changes in the Company's estimate to the ACL are recorded through bad debt expense as Sales and marketing expense in the condensed consolidated statements of operations and individual accounts are charged against the allowance when all reasonable collection efforts are exhausted. The following table presents the aging analysis of Concierge Receivables as of **September 30, 2023** **March 31, 2024** (in millions):

| | September 30, 2023 | March 31, 2024 |
|-----------------------|--------------------|----------------|
| Current | \$ 38.3 | 35.6 |
| 31-90 days past due | 2.7 | 0.6 |
| Over 90 days past due | 6.8 | 6.9 |
| Total | \$ 47.8 | 43.1 |

12. Restructuring Activities

During the year ended December 31, 2022, Since 2022, the Company enacted certain workforce reductions, wound down Modus **and Technologies, Inc.**, terminated certain of its operating **leases**. **leases and took actions to reduce its occupancy costs, the most significant being the scaling down of its New York administrative office.** The workforce reductions were part of a broader plan by the Company to take meaningful actions to improve the alignment between the Company's organizational structure and its long-term business strategy, drive cost efficiencies enabled by the Company's technology and other competitive advantages and continue to drive toward profitability and positive free cash flow. **In addition to the workforce reductions, restructuring actions have included and are expected to include, but not be limited to, a reduction in U.S. hiring and backfills resulting from**

attrition; a reduction in spend through third-party vendors; eliminating the use of incentives when recruiting new agents and reducing incentives for existing agents; a planned slow down in new market expansion; and a review of occupancy costs with a view to consolidating offices and reducing related costs.

During the three months ended March 31, 2023, the Company implemented a further workforce reduction. During the nine months ended September 30, 2023, the Company took actions to reduce its occupancy costs, the most significant being the scaling down of its New York administrative office. For the three and nine months ended September 30, 2023, the Company incurred restructuring costs of \$1.7 million and \$27.7 million, respectively, in connection with these actions. These costs are a result of severance and other termination benefits for employees whose roles were eliminated and The lease termination costs were recognized as a result of the accelerated amortization of various right-of-use assets and other lease-related costs. These expenses have been presented within the Restructuring costs line in the condensed consolidated statements of operations. The Company incurred additional non-cash charges of approximately \$5.3 million during the nine three months ended September 30, 2023, respectively, March 31, 2024 and 2023 associated with the write-down of fixed assets for certain real estate leases that have been exited, or partially exited. These costs have been included within the Depreciation and amortization line in the condensed consolidated statements of operations.

The following table summarizes the total costs incurred in connection with the Company's restructuring activities taken during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 (in millions):

| | | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 | | |
|-----------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|--|--|
| | | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 | | |
| | | 2024 | 2023 | | |
| Severance related personnel costs | Severance related personnel costs | \$ — | \$ 8.9 | | |
| Lease termination costs | Lease termination costs | 1.7 | 18.8 | | |
| Write-down of fixed assets | | — | 5.3 | | |
| Accelerated depreciation | | | | | |
| Total expense | Total expense | \$ 1.7 | \$ 33.0 | | |
| Total expense | | | | | |
| Total expense | | | | | |

The total costs incurred in connection with the Company's restructuring activities taken during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 were included in the condensed consolidated statements of operations as follows (in millions):

| | | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 | | |
|---------------------|---------------------|---------------------------------------|--------------------------------------|--|--|
| | | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 | | |
| | | 2024 | 2023 | | |
| Restructuring costs | Restructuring costs | \$ 1.7 | \$ 27.7 | | |

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|-------------------------------|-------------------------------|--------|---------|
| Depreciation and amortization | Depreciation and amortization | — | 5.3 |
| Total expense | Total expense | \$ 1.7 | \$ 33.0 |

The following table summarizes the estimated timing of the Company's future lease and lease-related payments, net of amounts contractually subleased, related to restructuring activities for lease termination costs as of **September 30, 2023** **March 31, 2024** (in millions):

| | | Payment Due by Period |
|----------------|------------|-----------------------|
| Remaining 2023 | | \$ 4.4 |
| 2024 | | 14.7 |
| | | Payment Due by Period |
| Remaining 2024 | | |
| 2025 | 2025 | 6.9 |
| 2026 | 2026 | 2.8 |
| 2027 | | |
| Thereafter | Thereafter | 2.0 |
| Total | Total | \$ 30.8 |

13. Subsequent Events

In April and May 2024, certain subsidiaries of the Company entered into a definitive purchase agreement and a merger agreement, respectively, in connection with two separate acquisitions. The combined preliminary upfront purchase price for these acquisitions is comprised of approximately \$23.3 million in Class A common stock and \$22.5 million in cash. Additional amounts to be paid in the form of Class A common stock or cash may be owed in connection with earn-out arrangements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report and our audited consolidated financial statements and the related notes and the discussion under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended **December 31, 2022** **December 31, 2023** included in the **2022** **2023** Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause or contribute to these differences include, but are not limited to, those discussed in the section entitled "Special Note Regarding Forward-Looking Statements". You should review the disclosure under the section entitled "Risk Factors" in Part II, Item 1A, "Risk Factors" in this Quarterly Report and Part I, Item 1A, "Risk Factors" in our **2022** **2023** Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.

OVERVIEW

Management's discussion and analysis of financial condition and results of operations, or MD&A, is provided as a supplement to the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report and is intended to provide an understanding of our results of operations, financial condition and changes in our results of operations and financial condition. Our MD&A is organized as follows:

- **Introduction.** This section provides a general description of our company and its business, recent developments affecting our company, **operational highlights** and discussions of how seasonal factors and macroeconomic conditions may impact our results.
- **Results of Operations.** This section provides our analysis and outlook for the significant line items on our statements of operations, as well as other information that we deem meaningful to understand our results of operations on a consolidated basis.
- **Key Business Metrics and Non-GAAP Financial Measures.** This section provides a discussion of key business metrics and non-GAAP financial measures we use to evaluate our business and measure our performance, in addition to the measures presented in our condensed consolidated financial statements.
- **Liquidity and Capital Resources.** This section provides an analysis of our liquidity and cash flows, as well as a discussion of our commitments that existed as of **September 30, 2023** **March 31, 2024**.

- *Critical Accounting Estimates and Policies.* This section discusses those accounting policies that are considered important to the evaluation and reporting of our financial condition and results of operations, and whose application requires us to exercise subjective and often complex judgments in making estimates and assumptions.
- *Recent Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting standards and guidance that have either been recently adopted by our company or may be adopted in the future.

INTRODUCTION

Our Company

Compass, Inc. (the "Company") was incorporated in Delaware on October 4, 2012 under the name Urban Compass, Inc. On January 8, 2021, the board of directors of the Company approved a change to the Company's name from Urban Compass, Inc. to Compass, Inc. **The Company has been based in New York City since its incorporation.**

Our Business and Business Model

We are a residential real estate brokerage that provides **provide** an end-to-end platform of software, services and support to empower **that empowers** our residential real estate agents to deliver exceptional service to seller and buyer clients. **Real estate agents are themselves business owners, and Compass agents utilize the platform to grow their respective businesses, save time and manage their business more effectively.** Our platform includes an integrated suite of cloud-based software for customer relationship management, marketing, client service, brokerage services and other critical functionalities, all custom-built for the real estate **industry and enabling our core brokerage services. industry.** Our platform also uses proprietary data, analytics,

artificial intelligence AI, and machine learning to **simplify workflows of agents and deliver high value high-value** recommendations and outcomes for **Compass both** agents and their clients. **Additionally, we provide integrated services, such as title and escrow and mortgage, both of which are available on our platform. Compass agents utilize the platform to grow their businesses, save time and manage their businesses more effectively.**

Our business model is directly aligned with the success of our agents. We attract agents to our brokerage and partner with them as independent contractors that affiliate their real estate licenses with us, operating their businesses on our platform and under our brand. We currently generate substantially all of our revenue from commissions paid to us by our agents' clients at the time that a home is transacted on our **platform, which agents use to assist home sellers and buyers in listing, marketing, selling and finding homes as well as through the provision of services adjacent to the transaction, such as title, escrow and mortgage. platform.** While **adjacent integrated** services comprise a small portion of our revenue to date, we believe we are well-positioned to capture meaningful revenue from **adjacent integrated** services as we continue to diversify our offerings within the real estate ecosystem.

Update Related to the Restructuring Activities

During the year ended December 31, 2022, we enacted certain workforce reductions, wound down Modus and terminated certain of our operating leases. **The workforce reductions were part of a broader plan by us to take meaningful actions to improve the alignment between our organizational structure and long-term business strategy, drive cost efficiencies enabled by our technology and other competitive advantages and continue to drive toward profitability and positive free cash flow. In addition to the aforementioned workforce reductions, restructuring actions have included and are expected to include, but not be limited to, a reduction in U.S. hiring and backfills resulting from attrition; a reduction in spend through third-party vendors; eliminating the use of incentives when recruiting new agents and reducing incentives for existing agents; a planned slow down in new market expansion; and a review of occupancy costs with a view to consolidating offices and reducing related costs.**

During the three months ended March 31, 2023, we implemented a further workforce reduction. During the nine months ended September 30, 2023, we took actions to reduce our occupancy costs, the most significant being the scaling down of our New York administrative office. For the three and nine months ended September 30, 2023, we incurred restructuring costs of \$1.7 million and \$27.7 million, respectively, in connection with these actions. These costs are a result of severance and other termination benefits for employees whose roles are being eliminated and lease termination costs as a result of the accelerated amortization of various right-of-use assets and other lease-related costs. **These expenses have been presented within the Restructuring costs line in the condensed consolidated statements of operations. We incurred additional non-cash charges of approximately \$5.3 million for the nine months ended September 30, 2023, respectively, associated with the write-down of fixed assets for certain real estate leases that have been exited, or partially exited. These costs have been included within the Depreciation and amortization line in the condensed consolidated statements of operations.**

Operational Highlights for the Three Months Ended **September 30, 2023** **March 31, 2024**

We continue to attract and retain the most talented agents to our platform, which is critical to our long-term success. We grow our revenue by attracting high-performing agents looking to grow their business and increasing the productivity of our agents. While we are not investing in technology at the same rate as in the past, we continue to invest in our proprietary, integrated platform designed for real estate agents, to enable them to grow their business and save them time and money. This value proposition allows us to recruit more agents, help them grow their business and retain them on our platform at industry leading retention rates.

We had over 29,000 agents on our platform as of **September 30, 2023** **March 31, 2024**. A subset of our agents are considered principal agents, which we define as either agents who are leaders of their respective agent teams or individual agents operating independently on our platform.

For the three months ended **September 30, 2023** **March 31, 2024**, the **Average** Number of Principal Agents was **14,055, 14,591**, an increase of **511** 990, or **3.8%** 7.3%, from the three months ended **September 30, 2022** **March 31, 2023**. The principal agent additions came in both new and existing markets.

During the three months ended September 30, 2023, our agents closed 48,134 Total Transactions, a decrease of 11.9% when compared to the three months ended September 30, 2022. The decline was primarily driven by the macroeconomic conditions that contributed to the slowdown in the U.S. residential real estate market. See the section entitled "Impact of

During the first quarter of 2023, 2024, the Company began to utilize an updated methodology for tracking and reporting report its agent statistics. statistics as of the period end. The Company's Average Number of Principal Agents and year over year growth reported in this Form 10-Q is based on the updated methodology. quarter end count.

During the three months ended March 31, 2024, our agents closed 38,449 Total Transactions, an increase of 7.1% when compared to the three months ended March 31, 2023. The increase was primarily driven by the increase in the number of agents on our platform. For more details surrounding the macroeconomic conditions that continue to impact the residential real estate market see the section entitled "Impact of the Macroeconomic Conditions on the U.S. Residential Real Estate Market and Our Business" for more details surrounding these macroeconomic conditions. .

Our Gross Transaction Value for the three months ended September 30, 2023 March 31, 2024 was \$50.9 billion \$40.1 billion, a decrease an increase of 11.2% 9.6% when compared to the three months ended September 30, 2022 March 31, 2023. Gross Transaction Value is primarily driven by home values in the markets we serve and by changes in the number of our agents in those markets, as well as seasonality and the aforementioned macroeconomic factors. conditions.

For the three months ended September 30, 2023 March 31, 2024, our Gross Transaction Value represented 4.4% 4.8% of residential real estate transacted in the U.S., compared to 4.6% 4.5% for the three months ended June 30, 2023 and 4.2% for the three months ended September 30, 2022 March 31, 2023. We calculate our national market share by dividing our Gross Transaction Value, or the total dollar value of transactions closed by agents on our platform, by two times (to account for the sell-side and buy-side of each transaction) the aggregate dollar value of U.S. existing home sales as reported by the National Association of Realtors ("NAR"). Gross Transaction Value includes a de minimis number of new development and commercial brokerage transactions.

For the definitions of Average Number of Principal Agents, Total Transactions and Gross Transaction Value please refer to the section entitled "Key Business Metrics" included elsewhere in this Quarterly Report.

Seasonality and Cyclicity

The residential real estate market is seasonal, which directly impacts our agents' businesses. While individual markets may vary, transaction volume is typically highest in spring and summer, and then declines gradually in late fall and winter. We experience the most significant financial effect from this seasonality in the first and fourth quarters of each year, when our revenue is typically lower relative to the second and third quarters. The effect of this seasonality on our revenue has a larger effect on our results of operations as many of our operating expenses (excluding commissions) are somewhat fixed in nature and do not vary directly in line with our revenue. We believe that this seasonality has affected and will continue to affect our quarterly results; however, to date its effect may have been masked by our rapid growth during the year ended December 31, 2021 and the impact of changes in macroeconomic conditions experienced during the year ended December 31, 2022 and the nine months ended September 30, 2023. results.

The broader residential real estate industry is cyclical, and individual markets can have their own dynamics that diverge from broad market conditions. The real estate industry can be impacted by the strength or weakness of the economy, changes in interest rates or mortgage lending standards, or extreme economic or political conditions. Our revenue growth rate tends to increase as the real estate industry performs well and to decrease when the real estate industry performs poorly.

Impact of the Macroeconomic Conditions on the U.S. Residential Real Estate Market and Our Business

Throughout 2022 2023 and through the third first quarter of 2023, 2024, a number of macroeconomic conditions contributed continued to contribute to the slowdown in the U.S. residential real estate market, impacting our business and financial results during the year ended December 31, 2022 December 31, 2023 and the nine three months ended September 30, 2023 March 31, 2024. These conditions include, but are not limited to, the conflict in Ukraine, volatility in the U.S. equity markets, rising inflation, rapidly rising mortgage interest rates, and the Federal Reserve Board increasing the federal funds rate by an aggregate of 5.25% through November 2023 with possible further increases through the rest of the year. April 2024. These conditions have contributed toward slowed consumer demand and declining home affordability and began to have an impact on price appreciation. Any further slowdown or additional challenging conditions in the U.S. residential real estate market could have a significant impact on our business and financial results in the fourth quarter of 2023 2024 and beyond. While we continue to assess the effects of the current slowdown on our business and financial results, the ultimate impact will depend on future developments, which are highly uncertain and difficult to predict, as well as the actions that we have taken, or will take, to minimize any current and future impact.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of operations data for the periods indicated:

| Three Months Ended September 30, | | Nine Months Ended September 30, | | Three Months Ended March 31, | | |
|----------------------------------|------|---------------------------------|------|------------------------------|------|------|
| 2023 | 2022 | 2023 | 2022 | | 2024 | 2023 |

| | (in millions, except percentages) | | | | | | | | | | (in millions, except percentages) | | | | | |
|--|--|-----------|---------|-----------|---------|-----------|---------|-----------|---------|---------|-----------------------------------|-------|---------|----------|-------|---------|
| Revenue | Revenue | \$1,337.4 | 100.0 % | \$1,493.7 | 100.0 % | \$3,788.6 | 100.0 % | \$4,910.8 | 100.0 % | Revenue | \$1,054.1 | 100.0 | 100.0 % | \$ 957.2 | 100.0 | 100.0 % |
| Operating expenses: | Operating expenses: | | | | | | | | | | | | | | | |
| Commissions and other related expense ⁽¹⁾ | | | | | | | | | | | | | | | | |
| Commissions and other related expense ⁽¹⁾ | | | | | | | | | | | | | | | | |
| Commissions and other related expense ⁽¹⁾ | Commissions and other related expense ⁽¹⁾ | 1,096.2 | 82.0 | 1,218.0 | 81.5 | 3,111.1 | 82.1 | 4,017.3 | 81.8 | | | | | | | |
| Sales and marketing ⁽¹⁾ | Sales and marketing ⁽¹⁾ | 103.9 | 7.8 | 144.4 | 9.7 | 332.5 | 8.8 | 444.3 | 9.0 | | | | | | | |
| Operations and support ⁽¹⁾ | Operations and support ⁽¹⁾ | 83.2 | 6.2 | 95.1 | 6.4 | 247.3 | 6.5 | 308.9 | 6.3 | | | | | | | |
| Research and development ⁽¹⁾ | Research and development ⁽¹⁾ | 45.8 | 3.4 | 81.5 | 5.5 | 140.1 | 3.7 | 296.9 | 6.0 | | | | | | | |
| General and administrative ⁽¹⁾ | General and administrative ⁽¹⁾ | 24.2 | 1.8 | 56.5 | 3.8 | 93.3 | 2.5 | 167.0 | 3.4 | | | | | | | |
| Restructuring costs | Restructuring costs | 1.7 | 0.1 | 29.0 | 1.9 | 27.7 | 0.7 | 47.9 | 1.0 | | | | | | | |
| Depreciation and amortization | Depreciation and amortization | 21.3 | 1.6 | 21.0 | 1.4 | 68.5 | 1.8 | 65.1 | 1.3 | | | | | | | |
| Total operating expenses | Total operating expenses | 1,376.3 | 102.9 | 1,645.5 | 110.2 | 4,020.5 | 106.1 | 5,347.4 | 108.9 | | | | | | | |
| Loss from operations | Loss from operations | (38.9) | (2.9) | (151.8) | (10.2) | (231.9) | (6.1) | (436.6) | (8.9) | | | | | | | |
| Investment income, net | Investment income, net | 1.5 | 0.1 | 1.1 | 0.1 | 6.9 | 0.2 | 1.5 | — | | | | | | | |
| Interest expense | Interest expense | (1.9) | (0.1) | (0.9) | (0.1) | (9.2) | (0.2) | (2.3) | — | | | | | | | |
| Loss before income taxes and equity in loss of unconsolidated entity | Loss before income taxes and equity in loss of unconsolidated entity | (39.3) | (2.9) | (151.6) | (10.1) | (234.2) | (6.2) | (437.4) | (8.9) | | | | | | | |
| Income tax benefit | Income tax benefit | 0.5 | — | — | — | 0.5 | — | 1.4 | — | | | | | | | |
| Equity in loss of unconsolidated entity | Equity in loss of unconsolidated entity | (0.4) | — | (2.5) | (0.2) | (2.6) | (0.1) | (7.5) | (0.2) | | | | | | | |
| Net loss | Net loss | (39.2) | (2.9) | (154.1) | (10.3) | (236.3) | (6.2) | (443.5) | (9.0) | | | | | | | |
| Net (income) loss attributable to non-controlling interests | | (0.2) | — | (0.1) | — | (1.3) | — | 0.1 | — | | | | | | | |
| Net income attributable to non-controlling interests | | | | | | | | | | | | | | | | |

| Net loss attributable to Compass, Inc. | Net loss attributable to Compass, Inc. | | | | | | | | Net loss attributable to Compass, Inc. | | | | | | | | | | | |
|--|--|--------|---------|----|---------|----------|----|---------|--|----|---------|---------|----|---------|--------|----------|----|---------|--------|----------|
| | \$ | (39.4) | (2.9 %) | \$ | (154.2) | (10.3 %) | \$ | (237.6) | (6.3 %) | \$ | (443.4) | (9.0 %) | \$ | (132.9) | (12.6) | (12.6 %) | \$ | (150.4) | (15.7) | (15.7 %) |

(1) Includes stock-based compensation expense as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|--|----------------------------------|------|------|------|---------------------------------|-------|------|-------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| Commissions and other related expense | \$ | — | \$ | 12.7 | \$ | 11.6 | \$ | 36.1 |
| Sales and marketing | | 8.8 | | 10.8 | | 26.4 | | 32.7 |
| Operations and support | | 4.5 | | 3.9 | | 11.6 | | 12.3 |
| Research and development | | 11.4 | | 9.4 | | 34.4 | | 45.2 |
| General and administrative | | 13.3 | | 13.3 | | 37.9 | | 46.8 |
| Total stock-based compensation expense | \$ | 38.0 | \$ | 50.1 | \$ | 121.9 | \$ | 173.1 |

| | Three Months Ended March 31, | | | |
|--|------------------------------|------|------|------|
| | 2024 | | 2023 | |
| Commissions and other related expense | \$ | — | \$ | 11.6 |
| Sales and marketing | | 7.9 | | 8.6 |
| Operations and support | | 3.7 | | 3.0 |
| Research and development | | 14.9 | | 10.4 |
| General and administrative | | 6.4 | | 11.3 |
| Total stock-based compensation expense | \$ | 32.9 | \$ | 44.9 |

Comparison of the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---------|-----------------------------------|------------|------------|----------|---------------------------------|------------|--------------|----------|
| | 2023 | 2022 | \$ Change | % Change | 2023 | 2022 | \$ Change | % Change |
| | (in millions, except percentages) | | | | | | | |
| Revenue | \$ 1,337.4 | \$ 1,493.7 | \$ (156.3) | (10.5 %) | \$ 3,788.6 | \$ 4,910.8 | \$ (1,122.2) | (22.9 %) |

| | Three Months Ended March 31, | | | |
|---------|-----------------------------------|----------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| | (in millions, except percentages) | | | |
| Revenue | \$ 1,054.1 | \$ 957.2 | \$ 96.9 | 10.1 % |

Revenue was \$1,337.4 million and \$3,788.6 million \$1,054.1 million during the three and nine months ended September 30, 2023 March 31, 2024, a decrease an increase of \$156.3 million \$96.9 million, or 10.5%, and \$1,122.2 million, or 22.9% 10.1%, compared to the prior year periods, respectively. period. The decrease increase for the three and nine months ended September 30, 2023 March 31, 2024 was primarily driven by the macroeconomic conditions that contributed to the current slowdown in the U.S. residential real estate market and a lower volume of transactions, partially offset by an increase in the number of agents that joined our platform during 2022 2023 and 2023, 2024 and a higher volume of transactions. The Average Number of Principal Agents₂ for the three and nine months ended September 30, 2023 March 31, 2024 grew to 14,055 and 13,734, 14,591, an increase of 3.8% and 4.2% 7.3% from the year ago periods. period.

Operating Expenses

Commissions and other related expense

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|--|----------------------------------|------|----------|------|---------------------------------|------|----------|------|
| | \$ Change | | % Change | | \$ Change | | % Change | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |

| (in millions, except percentages) | | | | | | | | | |
|---------------------------------------|---------------------------------------|------------|-----------|-----------|----------|-----------|-----------|-----------|----------|
| Three Months Ended March 31, | | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | | |
| 2024 | | | | | | | | | |
| (in millions, except percentages) | | | | | | | | | |
| Commissions and other related expense | Commissions and other related expense | \$ 1,096.2 | \$1,218.0 | \$(121.8) | (10.0 %) | \$3,111.1 | \$4,017.3 | \$(906.2) | (22.6 %) |
| Percentage of revenue | Percentage of revenue | 82.0 % | 81.5 % | | | 82.1 % | 81.8 % | | |

Commissions and other related expense was \$1,096.2 million and \$3,111.1 million \$862.3 million during the three and nine months ended September 30, 2023 March 31, 2024, a decrease an increase of \$121.8 million \$71.4 million, or 10.0%, and \$906.2 million, or 22.6% 9.0%, compared to the prior year periods, respectively. period. Included in Commissions and other related expense were non-cash expenses related to stock-based compensation of \$11.6 million for the nine three months ended September 30, 2023 and \$12.7 million and \$36.1 million for the three and nine months ended September 30, 2022, respectively, March 31, 2023. The decline in stock-based compensation expense for the three and nine months ended September 30, 2023 March 31, 2024 when compared to the prior year periods period was due to the discontinuation of the Agent Equity Program in 2023. Commissions and other related expense excluding such non-cash stock-based compensation expense was \$1,096.2 million, or 82.0% of revenue, and \$3,099.5 million \$862.3 million, or 81.8% of revenue, for the three and nine months ended September 30, 2023 March 31, 2024 and \$1,205.3 million \$779.3 million, or 80.7% of revenue, and \$3,981.2 million, or 81.1% 81.4% of revenue, for the three and nine months ended September 30, 2022, respectively, March 31, 2023. The decrease increase in absolute dollars and as a percentage of revenue of Commission and other related expense, excluding non-cash stock-based compensation, for the three and nine months ended September 30, 2023 March 31, 2024 when compared to the prior year periods period was primarily driven by our higher revenue, changes in mix of the macroeconomic conditions that contributed to the slowdown commission arrangements we have with our agents and changes in the U.S. residential real estate market. The unfavorable increase in Commissions and other related expense, excluding non-cash stock-based compensation expense, expressed as a percentage of revenue in the three and nine months ended September 30, 2023 as compared to the three and nine months ended September 30, 2022, was due to there being no Agent Equity Program contributions in the current year periods as the Agent Equity Program was discontinued for 2023. Excluding the impact of \$11.6 million and \$39.7 million in Agent Equity Program contributions made during the three and nine months ended September 30, 2022, respectively, Commissions and other related expense for the three and nine months ended September 30, 2023 declined by 50 basis points and improved by 7 basis points, respectively, when compared to the year ago periods.

2During the first quarter of 2023, the Company began to utilize an updated methodology for tracking and reporting its agent statistics. The Company's Average Number of Principal Agents and year over year growth reported in this Form 10-Q is based on the updated methodology.

geographic mix.

Sales and marketing

| Three Months Ended September 30, | | | | | | | | | |
|-----------------------------------|-----------------------|---------|---------|----------|----------|---------|---------|-----------|----------|
| Nine Months Ended September 30, | | | | | | | | | |
| \$ % | | | | | | | | | |
| 2023 2022 Change Change | | | | | | | | | |
| 2023 2022 Change Change | | | | | | | | | |
| (in millions, except percentages) | | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | | |
| 2024 | | | | | | | | | |
| (in millions, except percentages) | | | | | | | | | |
| Sales and marketing | Sales and marketing | \$103.9 | \$144.4 | \$(40.5) | (28.0 %) | \$332.5 | \$444.3 | \$(111.8) | (25.2 %) |
| Percentage of revenue | Percentage of revenue | 7.8 % | 9.7 % | | | 8.8 % | 9.0 % | | |

Sales and marketing expense was \$103.9 million and \$332.5 million \$93.4 million during the three and nine months ended September 30, 2023 March 31, 2024, a decrease of \$40.5 million \$21.9 million, or 28.0%, and \$111.8 million, or 25.2% 19.0%, compared to the prior year periods, respectively. period. Included in Sales and marketing expense were non-

cash expenses related to stock-based compensation of \$8.8 million and \$26.4 million \$7.9 million for the three and nine months ended September 30, 2023 March 31, 2024 and \$10.8 million and \$32.7 million \$8.6 million for the three and nine months ended September 30, 2022, respectively. The decrease in stock-based compensation expense during the three and nine months ended September 30, 2023 as compared to the three and nine months ended September 30, 2022 was due to lower headcount resulting from the aforementioned workforce reductions, March 31, 2023. Sales and marketing expense, excluding non-cash stock-based compensation expense, was \$95.1 million, or 7.1% of revenue, and \$306.1 million \$85.5 million, or 8.1% of revenue, for the three and nine months ended September 30, 2023 March 31, 2024 and \$133.6 million \$106.7 million, or 8.9% of revenue, and \$411.6 million, or 8.4% 11.1% of revenue, for the three and nine months ended September 30, 2022, respectively, March 31, 2023. The decrease in absolute dollars and as a percentage of revenue, excluding non-cash stock-based compensation expense, during the three and nine months ended September 30, 2023 March 31, 2024 as compared to the three and nine months ended September 30, 2022 March 31, 2023 was primarily due to a decrease in agent marketing costs and advertising and compensation and other personnel-related costs due to decreased headcount, agent incentives.

Operations and support

| | | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | (in millions, except percentages) | | | | | | | (in millions, except percentages) |
|--------------------------|-----------------------------------|--------|--------|-------------------|---------|---------|--------------------|---|
| Research and development | Research and development | \$45.8 | \$81.5 | \$(35.7) (43.8 %) | \$140.1 | \$296.9 | \$(156.8) (52.8 %) | Research and development \$47.0 \$48.9 \$ \$(1.9) (3.9) (3.9 %) |
| Percentage of revenue | Percentage of revenue | 3.4 % | 5.5 % | | 3.7 % | 6.0 % | | |

Research and development expense was \$45.8 million and \$140.1 million \$47.0 million during the three and nine months ended September 30, 2023 March 31, 2024, a decrease of \$35.7 million \$1.9 million, or 43.8%, and \$156.8 million, or 52.8% 3.9%, compared to the prior year periods, respectively, period. Included in Research and development expense were non-cash expenses related to stock-based compensation of \$11.4 million and \$34.4 million \$14.9 million for the three and nine months ended September 30, 2023 March 31, 2024 and \$9.4 million and \$45.2 million \$10.4 million for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The increase in stock-based compensation expense for the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023 was primarily driven by forfeitures incurred due to the workforce reductions taken in connection with our restructuring activities in the prior year with no comparable activity in the current year. The decrease in stock-based compensation expense for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 was primarily driven by workforce reductions taken in connection with our restructuring activities. Research and development expense, excluding such non-cash stock-based compensation expense, was \$34.4 million \$32.1 million, or 2.6% of revenue, and \$105.7 million, or 2.8% 3.0% of revenue, for the three and nine months ended September 30, 2023 March 31, 2024 and \$72.1 million \$38.5 million, or 4.8% of revenue, and \$251.7 million, or 5.1% 4.0% of revenue, for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The decrease in Research and development expense, excluding non-cash stock-based compensation expense, in absolute dollars and as a percentage of revenue during the three and nine months ended September 30, 2023 March 31, 2024 was primarily driven by lower research and development related headcount resulting from our aforementioned workforce reductions and other cost reduction initiatives.

General and administrative

| | | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | | | | | | | |
|----------------------------|------|-----------------------------------|------|--------|--------|---------------------------------|------|--------|--------|--|--|------|------|--------|--------|
| | | \$ | | % | | \$ | | % | | | | | | | |
| | | 2023 | 2022 | Change | Change | 2023 | 2022 | Change | Change | | | | | | |
| | | (in millions, except percentages) | | | | | | | | | | | | | |
| General and administrative | | Three Months Ended March 31, | | | | | | | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | | | | | | | |
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| | 2024 | | | | | | | | | | | 2024 | 2023 | Change | Change |
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|------------------------|----|-----|----|-----|----|-----|--------|----|-----|----|-----|----|-----|---------|
| Investment income, net | \$ | 1.5 | \$ | 1.1 | \$ | 0.4 | 36.4 % | \$ | 6.9 | \$ | 1.5 | \$ | 5.4 | 360.0 % |
|------------------------|----|-----|----|-----|----|-----|--------|----|-----|----|-----|----|-----|---------|

| | Three Months Ended March 31, | | | |
|------------------------|-----------------------------------|--------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| | (in millions, except percentages) | | | |
| Investment income, net | \$ 1.1 | \$ 2.9 | \$ (1.8) | (62.1 %) |

Investment income, net increased decreased during the three and nine months ended September 30, 2023 March 31, 2024 as a result of increased a decrease in our average interest rates on our short-term interest-bearing investments as compared to the year ago period.

Interest expense

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | | | | | | |
|------------------|-----------------------------------|-------|-----------|----------|---------------------------------|-------|-----------|----------|-------|----|-------|-------|---------|
| | 2023 | 2022 | \$ Change | % Change | 2023 | 2022 | \$ Change | % Change | | | | | |
| | (in millions, except percentages) | | | | | | | | | | | | |
| Interest expense | \$ | (1.9) | \$ | (0.9) | \$ | (1.0) | 111.1 % | \$ | (9.2) | \$ | (2.3) | (6.9) | 300.0 % |

| | Three Months Ended March 31, | | | |
|------------------|-----------------------------------|----------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| | (in millions, except percentages) | | | |
| Interest expense | \$ (1.5) | \$ (3.2) | \$ 1.7 | 53.1 % |

Interest expense was \$1.9 million and \$9.2 million \$1.5 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024. The increase decrease from the prior year period was primarily driven by the interest expense incurred on both our Concierge Facility and Revolving Credit Facility as a result of higher balances a balance outstanding in the prior year on these this credit facilities and higher average interest rates on our debt facilities.

facility with no comparable balance outstanding during the three months ended March 31, 2024.

Income tax benefit

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|--------------------|-----------------------------------|------|-----------|----------|---------------------------------|--------|-----------|----------|
| | 2023 | 2022 | \$ Change | % Change | 2023 | 2022 | \$ Change | % Change |
| | (in millions, except percentages) | | | | | | | |
| Income tax benefit | \$ 0.5 | \$ — | \$ 0.5 | 100.0 % | \$ 0.5 | \$ 1.4 | \$ (0.9) | (64.3 %) |

| | Three Months Ended March 31, | | | |
|--------------------|-----------------------------------|------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| | (in millions, except percentages) | | | |
| Income tax benefit | \$ 0.3 | \$ — | \$ 0.3 | 100.0 % |

For the three and nine months ended September 30, 2023 March 31, 2024, Income tax benefit increased by \$0.5 million and decreased by \$0.9 million \$0.3 million when compared to the three and nine months ended September 30, 2022, respectively, March 31, 2023. The changes primarily resulted from partial reductions in the valuation allowance related to the carryover tax basis in deferred tax liabilities from acquisitions netted with state income tax expense.

Equity in loss of unconsolidated entity

| | Three Months Ended September 30, | Nine Months Ended September 30, |
|--|----------------------------------|---------------------------------|
|--|----------------------------------|---------------------------------|

| | 2023 | 2022 | \$ Change | % Change | 2023 | 2022 | \$ Change | % Change |
|---|-----------------------------------|----------|-----------|----------|----------|----------|-----------|----------|
| | (in millions, except percentages) | | | | | | | |
| Equity in loss of unconsolidated entity | \$ (0.4) | \$ (2.5) | \$ 2.1 | 84.0 % | \$ (2.6) | \$ (7.5) | \$ 4.9 | 65.3 % |

| | Three Months Ended March 31, | | | |
|---|-----------------------------------|----------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| | (in millions, except percentages) | | | |
| Equity in loss of unconsolidated entity | \$ (0.8) | \$ (1.5) | \$ 0.7 | 46.7 % |

During the three and nine months ended **September 30, 2023** **March 31, 2024**, Equity in losses of unconsolidated entity was **\$0.4 million and \$2.6 million, respectively, \$0.8 million primarily** from our mortgage joint venture, which was formed in July 2021.

KEY BUSINESS METRICS AND NON-GAAP FINANCIAL MEASURES

In addition to the measures presented in our condensed consolidated financial statements, we use the following key business metrics and non-GAAP financial measures to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|-----------------------------|-------------------------------------|-----------|------------------------------------|------------|--|
| | 2023 | 2022 | 2023 | 2022 | |
| | Three Months Ended March 31, | | | | |
| | Three Months Ended March 31, | | | | |
| | Three Months Ended March 31, | | | | |
| | 2024 | | | | 2024 2023 |
| Total | Total | | | | |
| Transactions | Transactions | 48,134 | 54,606 | 138,227 | 168,819 |
| Gross | Gross | \$ 50.9 | \$ 57.3 | \$ 144.3 | \$ 187.8 |
| Transaction | Transaction | | | | |
| Value (in | Value (in | | | | |
| billions) | billions) | | | | |
| Average Number of Principal | | | | | |
| Agents ⁽¹⁾ | 14,055 | 13,544 | 13,734 | 13,181 | |
| Number of | | | | | |
| Principal | | | | | |
| Agents ⁽¹⁾ | | | | | |
| Net loss | Net loss | | | | Net loss attributable to Compass, Inc. (in millions) |
| attributable | attributable | | | | |
| to Compass, | to Compass, | | | | |
| Inc. (in | Inc. (in | | | | |
| millions) | millions) | \$ (39.4) | \$ (154.2) | \$ (237.6) | \$ (443.4) |
| Net loss | Net loss | | | | Net loss attributable to Compass, Inc. margin |
| attributable | attributable | | | | |
| to Compass, | to Compass, | | | | |
| Inc. margin | Inc. margin | (2.9%) | (10.3%) | (6.3%) | (9.0%) |
| Adjusted | Adjusted | | | | |
| EBITDA ⁽²⁾ | EBITDA ⁽²⁾ | | | | |
| (in millions) | (in millions) | \$ 21.8 | \$ (42.2) | \$ (15.2) | \$ (134.7) |
| Adjusted | Adjusted | | | | Adjusted EBITDA margin ⁽²⁾ |
| EBITDA | EBITDA | | | | |
| margin ⁽²⁾ | margin ⁽²⁾ | 1.6% | (2.8%) | (0.4%) | (2.7%) |
| | | | | | (1.9%) (7.0%) |

(1) During the first quarter of **2023, 2024**, the Company began to **utilize an updated methodology for tracking and reporting** report its agent **statistics, statistics as of the period end**. The Company's **Average** Number of Principal Agents **and year over year growth** reported in this **Quarterly Report Form 10-Q** is based on the **updated methodology, quarter end count**.

- (2) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. For more information regarding our use of these measures and a reconciliation of Net loss attributable to Compass, Inc. to Adjusted EBITDA, see the section titled “—Non-GAAP Financial Measures” below.

Key Business Metrics

Total Transactions

Total Transactions is a key measure of the scale of our platform, which drives our financial performance. We define Total Transactions as the sum of all transactions closed on our platform in which our agent represented the buyer or seller in the purchase or sale of a home. We include a single transaction twice when one or more of our agents represent both the buyer and seller in any given transaction. This metric excludes rental transactions.

Our Total Transactions **increased** for the three months ended **September 30, 2023** **declined** **March 31, 2024** to **48,134**, **38,449**, or **11.9%**, and declined as well for the nine months ended **September 30, 2023** to **138,227**, or **18.1%** **7.1%**, from the year ago **periods**. **period**. The **declines** **increase** for the three and nine months ended **September 30, 2023** **were** **March 31, 2024** **was** primarily driven by **the macroeconomic conditions that contributed to the slowdown** **an increase** in the **U.S. residential real estate market**. **number of agents on our platform from the prior year period**.

Gross Transaction Value

Gross Transaction Value is a key measure of the scale of our platform and success of our agents, which ultimately impacts revenue. Gross Transaction Value is the sum of all closing sale prices for homes transacted by agents on our platform. We include the value of a single transaction twice when our agents serve both the home buyer and home seller in the transaction. This metric excludes rental transactions.

Gross Transaction Value is primarily driven by home values in the markets we serve and by changes in the number of our agents in those markets, as well as seasonality and macroeconomic factors.

Our Gross Transaction Value for the three and nine months ended **September 30, 2023** **March 31, 2024** was **\$50.9 billion** and **\$144.3 billion** **\$40.1 billion**, representing **decreases** **an increase** of **11.2%** and **23.2%** **9.6%** from the year ago **periods**, **respectively**. **period**. The **declines** **increase** for the three and nine months ended **September 30, 2023** **March 31, 2024** were primarily driven by **the macroeconomic conditions that contributed to the slowdown** **an increase** in the **U.S. residential real estate market**. **number of agents on our platform**.

Average Number of Principal Agents

The **Average** Number of Principal Agents represents the number of agents who are leaders of their respective agent teams or individual agents operating independently on our platform during a given period. The **Average** Number of Principal Agents is an indicator of the potential future growth of our business, as well as the size and strength of our platform. This figure **is calculated by taking the average of** **represents** the number of principal agents at the end of **each month included in** the period. We use the **Average** Number of Principal Agents, in combination with our other key metrics such as Total Transactions and Gross Transaction Value, as a measure of agent productivity.

Our **Average** Number of Principal Agents for the three and nine months ended **September 30, 2023** **March 31, 2024** was **14,055** and **13,734**, **14,591**, representing an increase of **3.8%** and **4.2%** **7.3%** from the year ago **periods**, **respectively**. During the first quarter of 2023, we began to utilize an updated methodology for tracking and reporting our agent statistics. Our Average Number of Principal Agents reported in this Quarterly Report is based on the updated methodology. **period**. Our principal agents generate revenue across a diverse set of real estate markets in the U.S.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA is a non-GAAP financial measure that represents our Net loss attributable to Compass, Inc. adjusted for depreciation and amortization, investment income, net, interest expense, stock-based compensation expense, income tax (expense) benefit and other items. During the periods presented, other items included (i) restructuring charges associated with lease termination and severance costs, (ii) acquisition-related expenses related to adjustments to the fair value of contingent consideration and other forms of acquisition consideration and (iii) a litigation charge in connection with the **Realogy Holdings Corp. matter**. **Antitrust Lawsuits**. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

We use Adjusted EBITDA and Adjusted EBITDA margin in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. We believe Adjusted EBITDA and Adjusted EBITDA margin are also helpful to investors, analysts and other interested parties because these measures can assist in providing a more consistent and comparable overview of our operations across our historical financial periods. Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, however, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Because of these limitations, you should consider Adjusted EBITDA and Adjusted EBITDA margin alongside other financial performance measures, including Net loss attributable to Compass, Inc. and our other GAAP results. In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by the types of items excluded from the calculation of Adjusted

EBITDA and Adjusted EBITDA margin. Adjusted EBITDA and Adjusted EBITDA margin are not presented in accordance with GAAP and the use of these terms varies from others in our industry.

The following table provides a reconciliation of Net loss attributable to Compass, Inc. to Adjusted EBITDA (in millions):

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | | | |
|---|---|-------------------------------------|-----------|------------------------------------|-----------|---|-------------------|
| | | 2023 | 2022 | 2023 | 2022 | | |
| | | Three Months Ended March 31, | | | | | |
| | | Three Months Ended March 31, | | | | | |
| | | Three Months Ended March 31, | | | | | |
| | | | | | | 2024 | 2023 |
| Net loss attributable to Compass, Inc. | Net loss attributable to Compass, Inc. | \$(39.4) | \$(154.2) | \$(237.6) | \$(443.4) | | |
| Adjusted to exclude the following: | Adjusted to exclude the following: | | | | | | |
| Depreciation and amortization | | | | | | | |
| Depreciation and amortization | | | | | | | |
| Depreciation and amortization | Depreciation and amortization | 21.3 | 21.0 | 68.5 | 65.1 | | |
| Investment income, net | Investment income, net | (1.5) | (1.1) | (6.9) | (1.5) | | |
| Interest expense | Interest expense | 1.9 | 0.9 | 9.2 | 2.3 | | |
| Stock-based compensation | Stock-based compensation | 38.0 | 50.1 | 121.9 | 173.1 | | |
| Income tax benefit | Income tax benefit | (0.5) | — | (0.5) | (1.4) | | |
| Restructuring costs | Restructuring costs | 1.7 | 29.0 | 27.7 | 47.9 | | |
| Acquisition-related expenses ⁽¹⁾ | Acquisition-related expenses ⁽¹⁾ | 0.3 | 1.6 | 2.5 | 12.7 | | |
| Litigation charge ⁽²⁾ | Litigation charge ⁽²⁾ | — | 10.5 | — | 10.5 | | |
| Adjusted EBITDA | Adjusted EBITDA | \$ 21.8 | \$ (42.2) | \$ (15.2) | \$(134.7) | | |
| Net loss attributable to Compass, Inc. margin | Net loss attributable to Compass, Inc. margin | (2.9 %) | (10.3 %) | (6.3 %) | (9.0 %) | Net loss attributable to Compass, Inc. margin | (12.6 %) (15.7 %) |
| Adjusted EBITDA margin | Adjusted EBITDA margin | 1.6 % | (2.8 %) | (0.4 %) | (2.7 %) | Adjusted EBITDA margin | (1.9 %) (7.0 %) |

- (1) Includes adjustments related to the change in fair value of contingent consideration and other adjustments related to acquisition consideration. See Note 3 - "Acquisitions" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.
- (2) Represents Represent a charge of \$10.5 million \$57.5 million incurred during the three and nine months ended September 30, 2022 in connection with the Realogy Holdings Corp. matter.

Adjusted EBITDA was income of \$21.8 million and a loss of \$42.2 million during the three months ended September 30, 2023 March 31, 2024 in connection with the Antitrust Lawsuits. See Note 6 - "Commitments and 2022, respectively. Contingencies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for

more information.

Adjusted EBITDA was a loss of \$15.2 million \$20.1 million and \$134.7 million \$67.1 million during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The increase improvement in Adjusted EBITDA during the three and nine months ended September 30, 2023 March 31, 2024 as compared to the three and nine months ended September 30, 2022 March 31, 2023 was primarily a result of the impact of our workforce reductions, and cost reduction initiatives outpacing and an increase in our revenue which was driven by an increase in the impact number of a slow down in revenue resulting from the current macroeconomic conditions impacting the U.S. residential real estate market as described in more detail under the section entitled "Impact of the Macroeconomic Conditions on the U.S. Residential Real Estate Market agents that joined our platform during 2023 and Our Business". 2024.

The following tables provide supplemental information to the Reconciliation of Net loss attributable to Compass, Inc. to Adjusted EBITDA presented above. These tables identify how certain Operating expenses related financial statement line items contained within the accompanying condensed consolidated statements of operations elsewhere in this Quarterly Report are impacted by the items excluded from Adjusted EBITDA (in millions):

| | | Three Months Ended September 30, 2023 | | | | |
|------------------------------------|------------------------------------|---------------------------------------|---------------------|------------------------|--------------------------|----------------------------|
| | | Commissions and other related expense | Sales and marketing | Operations and support | Research and development | General and administrative |
| | | Three Months Ended March 31, 2024 | | | | |
| | | Commissions and other related expense | | | | |
| | | Three Months Ended March 31, 2024 | | | | |
| | | Commissions and other related expense | Sales and marketing | Operations and support | Research and development | General and administrative |
| GAAP Basis | GAAP Basis | \$ 1,096.2 | \$ 103.9 | \$ 83.2 | \$ 45.8 | \$ 24.2 |
| Adjusted to exclude the following: | Adjusted to exclude the following: | | | | | |
| Stock-based compensation | Stock-based compensation | — | (8.8) | (4.5) | (11.4) | (13.3) |
| Acquisition-related expenses | | — | — | (0.3) | — | — |
| Stock-based compensation | | | | | | |
| Stock-based compensation | | | | | | |
| Litigation charge | | | | | | |
| Litigation charge | | | | | | |
| Litigation charge | | | | | | |
| Non-GAAP Basis | Non-GAAP Basis | \$ 1,096.2 | \$ 95.1 | \$ 78.4 | \$ 34.4 | \$ 10.9 |

| | | Three Months Ended September 30, 2022 | | | | |
|------------------------------------|--|---------------------------------------|---------------------|------------------------|--------------------------|----------------------------|
| | | Commissions and other related expense | Sales and marketing | Operations and support | Research and development | General and administrative |
| GAAP Basis | | \$ 1,218.0 | \$ 144.4 | \$ 95.1 | \$ 81.5 | \$ 56.5 |
| Adjusted to exclude the following: | | | | | | |
| Stock-based compensation | | (12.7) | (10.8) | (3.9) | (9.4) | (13.3) |
| Acquisition-related expenses | | — | — | (1.6) | — | — |
| Litigation charge | | — | — | — | — | (10.5) |
| Non-GAAP Basis | | \$ 1,205.3 | \$ 133.6 | \$ 89.6 | \$ 72.1 | \$ 32.7 |

| | | Nine Months Ended September 30, 2023 | | | | |
|------------------------------------|--|---------------------------------------|---------------------|------------------------|--------------------------|----------------------------|
| | | Commissions and other related expense | Sales and marketing | Operations and support | Research and development | General and administrative |
| GAAP Basis | | \$ 3,111.1 | \$ 332.5 | \$ 247.3 | \$ 140.1 | \$ 93.3 |
| Adjusted to exclude the following: | | | | | | |
| Stock-based compensation | | (11.6) | (26.4) | (11.6) | (34.4) | (37.9) |
| Acquisition-related expenses | | — | — | (2.5) | — | — |

| Non-GAAP Basis | | | \$ | 3,099.5 | \$ | 306.1 | \$ | 233.2 | \$ | 105.7 | \$ | 55.4 | |
|------------------------------------|------------------------------------|--|--------------------------------------|-----------|------------|-------------|----------------|-----------------------------------|----|-----------|----------------|--------------|----------------|
| | | | Nine Months Ended September 30, 2022 | | | | | | | | | | |
| | | | Commissions | | | | | | | | | | |
| | | | and other | | Operations | | Research | | | | | | |
| | | | related | Sales and | and | and | General and | | | | | | |
| | | | expense | marketing | support | development | administrative | | | | | | |
| | | | Three Months Ended March 31, 2023 | | | | | Three Months Ended March 31, 2023 | | | | | |
| | | | Commissions and | | | | | Commissions and other | | Sales and | Operations and | Research and | General and |
| | | | other related expense | | | | | related expense | | marketing | support | development | administrative |
| GAAP Basis | GAAP Basis | | \$ 4,017.3 | \$ 444.3 | \$ 308.9 | \$ 296.9 | \$ 167.0 | | | | | | |
| Adjusted to exclude the following: | Adjusted to exclude the following: | | | | | | | | | | | | |
| Stock-based compensation | Stock-based compensation | | (36.1) | (32.7) | (12.3) | (45.2) | (46.8) | | | | | | |
| Stock-based compensation | | | | | | | | | | | | | |
| Stock-based compensation | | | | | | | | | | | | | |
| Acquisition-related expenses | Acquisition-related expenses | | — | — | (12.7) | — | — | | | | | | |
| Litigation charge | | | — | — | — | — | (10.5) | | | | | | |
| Non-GAAP Basis | Non-GAAP Basis | | \$ 3,981.2 | \$ 411.6 | \$ 283.9 | \$ 251.7 | \$ 109.7 | | | | | | |
| Non-GAAP Basis | | | | | | | | | | | | | |
| Non-GAAP Basis | | | | | | | | | | | | | |

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have primarily generated negative cash flows from operations and have primarily financed our operations from net proceeds from the sale of convertible preferred stock and common stock. As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of \$220.0 million \$165.9 million and an accumulated deficit of \$2.4 billion \$2.7 billion.

We expect that operating losses and negative cash flows from operations may continue in certain periods in the foreseeable future as a result of the current slowdown in the U.S. residential real estate market as described in more detail under the section entitled “—Impact of the Macroeconomic Conditions on the U.S. Residential Real Estate Market and Our Business”. We believe our existing cash and cash equivalents, the Concierge Facility (which, as disclosed in the footnotes to the condensed consolidated financial statements, may be used to support our Compass Concierge Program) and the Revolving Credit Facility will be sufficient to meet our working capital and capital expenditures needs for at least the next 12 months and beyond.

Our future capital requirements will depend on many factors, including, but not limited to, growth in the number of our agents and the associated costs to attract, support and retain them, our decision to resume expansion into new geographic markets, continued investment in adjacent integrated services and other new revenue streams, future acquisitions, the timing of investments in technology and personnel to support the overall growth in our business and the extent and duration of the current and any future slowdown in the U.S. residential real estate market. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. In the event that additional financing is required from outside sources, we may not be able to negotiate terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected. See the sections entitled “Risk Factors—Risks Related to Ownership of Our Class A Common Stock—We may need to raise additional capital to continue to grow our business and we may not be able to raise additional capital on terms acceptable to us, or at all” and “Risk Factors—Risks Related to Our Business and Operations—Covenants in our debt agreements may restrict our borrowing capacity or operating activities and adversely affect our financial condition” included in the 2022 2023 Form 10-K.

Financial Obligations

See Note 5 - “Debt” in our condensed consolidated financial statements included elsewhere in this Quarterly Report, for information on our indebtedness as of September 30, 2023 March 31, 2024.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in millions):

| Nine Months Ended | |
|-------------------|------|
| September 30, | |
| 2023 | 2022 |

| Three Months Ended | | Three Months Ended March 31, | |
|--|---|------------------------------|-----------|
| March 31, | | March 31, | |
| 2024 | | 2024 | 2023 |
| Net cash provided by (used in) operating activities | Net cash provided by (used in) operating activities | \$ 12.8 | \$(173.9) |
| Net cash used in investing activities | Net cash used in investing activities | (8.2) | (86.9) |
| Net cash used in financing activities | | (146.5) | (2.6) |
| Net decrease in cash and cash equivalents | | \$(141.9) | \$(263.4) |
| Net cash (used in) provided by financing activities | | | |
| Net (decrease) increase in cash and cash equivalents | | | |

Operating Activities

For the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash provided by operating activities was **\$12.8 million** **\$8.6 million**. The inflow was primarily due to a **\$236.3 million** **\$133.0 million** Net loss adjusted for **\$199.3 million** **\$55.9 million** of non-cash charges and cash inflows due to changes in assets and liabilities of **\$49.8 million** **\$85.7 million**.

For the **nine** three months ended **September 30, 2022** **March 31, 2023**, net cash used in operating activities was **\$173.9 million** **\$55.5 million**. The outflow was primarily due to a **\$443.5 million** **\$150.2 million** Net loss adjusted for **\$249.7 million** **\$72.5 million** of non-cash charges and partially offset by cash **outflows** **inflows** due to changes in assets and liabilities of **\$19.9 million** **\$22.2 million**.

Investing Activities

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash used in investing activities was **\$8.2 million** **\$3.5 million** consisting of **\$8.9 million** **\$2.7 million** of capital expenditures and **\$1.2 million** for an investment in an unconsolidated entity partially offset by **\$0.7 million** **\$0.4 million** of cash acquired, net of payments for acquisitions.

During the **nine** three months ended **September 30, 2022** **March 31, 2023**, net cash used in investing activities was **\$86.9 million** **\$3.5 million** consisting of **\$56.9 million** **\$3.5 million** in capital expenditures, **\$15.0 million** in payments for acquisitions, net of cash acquired, and **\$15.0 million** for investments in an unconsolidated entity. The investment in an unconsolidated entity represents our investment in our mortgage joint venture that we formed in 2021. **expenditures**.

Financing Activities

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash used in financing activities was **\$146.5 million** **\$6.1 million** primarily consisting of **\$150.0 million** in net repayments of drawdowns on the Revolving Credit Facility, **\$17.9 million** **\$7.4 million** in taxes paid related to the net share settlement of equity awards, **\$12.1 million** **\$1.9 million** in payments related to acquisitions, including contingent consideration payments, and **\$4.0 million** **\$1.3 million** in net payments on drawdowns and repayments on of the Concierge Facility, partially offset by **\$32.3 million** in proceeds from the issuance of common stock in connection with the Strategic Transaction, **\$4.2 million** **\$3.4 million** in proceeds from the exercise of stock options and **\$2.5 million** **\$1.1 million** in proceeds from the issuance of common stock under the Employee Stock Purchase Plan.

During the **nine** three months ended **September 30, 2022** **March 31, 2023**, net cash used in provided by financing activities was **\$2.6 million** **\$60.7 million**, primarily consisting of **\$19.5 million** **\$75.0 million** in taxes paid related to net share settlement of equity awards and **\$13.9 million** in payments related to acquisitions, including contingent consideration, partially offset by **\$20.3 million** in net proceeds from drawdowns and repayments on the Concierge Revolving Credit Facility, **\$8.6 million** **\$1.0 million** in proceeds from the exercise of stock options and **\$2.3 million** **\$1.4 million** in proceeds from the issuance of common stock under the Employee Stock Purchase Plan. Plan, partially offset by **\$7.9 million** in

payments related to acquisitions, including contingent consideration, \$6.0 million in taxes paid related to net share settlement of equity awards and \$2.6 million in net proceeds from drawdowns and repayments on the Concierge Facility.

Off-Balance Sheet Arrangements

We administer escrow and trust deposits which represent undistributed amounts for the settlement of real estate transactions. We are contingently liable for these escrow and trust deposits totaling \$153.5 million \$213.1 million and \$136.7 million \$120.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. We did not have any other off-balance sheet arrangements as of or during the periods presented.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical Accounting Estimates and Policies

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates and therefore, if material, our future financial statements will be affected.

There have been no material changes to our critical accounting policies and estimates disclosed in our 2022 2023 Form 10-K. For additional information about our critical accounting policies and estimates, see the disclosure included in our 2022 2023 Form 10-K, as well as Note 1 and Note 2 to our condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of our recently adopted accounting pronouncements and accounting pronouncements issued but not yet adopted, see Note 2 to our condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position because of adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure resulting from potential changes in interest rates or inflation.

Interest Rate Risk

Our cash and cash equivalents as of September 30, 2023 was \$220.0 million March 31, 2024 consisted of \$165.9 million. Certain of our cash and cash equivalents are interest-earning instruments that carry a degree of interest rate risk. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents.

We are also subject to interest rate exposure on our Concierge Facility and Revolving Credit Facility. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Borrowings under our Our Concierge Facility bear bears interest at equal to the term SOFR rate plus a margin of 2.75%. As of September 30, 2023 March 31, 2024, we had a total outstanding balance of \$27.9 million \$23.5 million under the Concierge Facility. The interest rate on the Concierge Facility was 8.90% as of September 30, 2023. Our Revolving Credit Facility bears interest equal to a base rate SOFR plus a margin of 1.50%. As of September 30, 2023 March 31, 2024, we had no borrowings outstanding under the Revolving Credit Facility. Based on the amounts outstanding, a 100-basis point increase or decrease in market interest rates over a twelve-month period would not result in a material change to our interest expense.

Foreign Currency Exchange Risk

As our operations in India have been limited, and we do not maintain a significant balance of foreign currency, we do not currently face significant risk with respect to foreign currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2023 due to the material weaknesses in our internal control over financial reporting described below. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements for the periods covered by and included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Material Weaknesses in Internal Control over Financial Reporting

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

Management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2023 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control—Integrated Framework" (2013) March 31, 2024. Based on this assessment, management determined that the Company's internal control over financial reporting as of September 30, 2023 was not effective due to the material weaknesses described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

- We did not design or maintain an effective control environment as we lacked sufficient oversight of activities related to our internal control over financial reporting due to a lack of an appropriate level of experience and training commensurate with public company requirements. This material weakness resulted in our identification of the following additional material weaknesses;
- We did not maintain formal accounting policies and procedures, and did not design, document and maintain controls related to substantially all of our business processes to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over account reconciliations, segregation of duties and the preparation and review of journal entries; and
- We did not design and maintain effective controls over information technology, or IT, general controls for information systems and applications that are relevant to the preparation of the consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately that are relevant to the preparation of our financial statements, (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate personnel, (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored, and (iv) testing and approval

of controls for program development to ensure that new software development is aligned with business and IT requirements. These IT deficiencies, when aggregated, could impact effective segregation of duties as well as the effectiveness of IT-dependent controls that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, our management has determined these deficiencies in the aggregate constitute a material weakness.

None of the material weaknesses described above resulted in a material misstatement to our annual or interim consolidated financial statements. However, each of the material weaknesses described above could result in a misstatement of one or more account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plans

To date, we have implemented certain measures to address the identified material weaknesses. These measures include adding personnel, establishing scalable governance procedures, as well as improving our internal controls around financial systems and processes. We intend to continue to take steps to remediate the material weaknesses described above and further evolve our internal controls and processes. We will not be able to remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time.

The following remedial actions were taken through the years ended December 31, 2021 and 2022:

- hired a Vice President of Internal Audit to oversee our internal controls program and work with management in its design and implementation of internal control over financial reporting;
- developed detailed action plans to address control deficiencies identified across business processes and financial systems impacting our financial reporting;
- engaged a global accounting advisory firm to assist with the documentation, evaluation, remediation and testing of our internal control over financial reporting;
- evaluated our internal control over financial reporting with respect to design, implementation, and operating effectiveness;
- added key resources to the Internal Audit team, including an IT expert;
- formalized our accounting policies, including training relevant personnel, related to, but not limited to, account reconciliations and manual journal entries; and

- formalized IT procedures for key financial systems, including training relevant personnel, related to segregation of duties, user access, batch jobs, data backups, change management, and program development.

The following remedial actions were taken during the nine months ended September 30, 2023:

- continued enhancing our IT general controls resources, including hiring a new Chief Information Security Officer ("CISO") and a new Sr. Manager of IT Risk & Compliance;
- added an internal controls documentation and testing team under the leadership of the Vice President of Internal Audit;
- performed various trainings for control owners;
- ensured that controls over key reports and data derived from systems supporting financial reporting are consistently evidenced; and
- ensured controls are in place to address segregation of duties risks that could present a reasonable possibility of material misstatements.

During the remainder of 2023, management will focus on the operating consistency of controls and related documentation, including:

- IT general controls specific to key systems supporting financial reporting, including user access reviews, to validate that they are being consistently operated and evidenced such that persuasive evidence is obtained that our IT general controls are effective and sustainable; and
- sufficient evidence of operating effectiveness is consistently demonstrated and maintained for key business process controls.

While we believe that these efforts will improve our internal control over financial reporting, the implementation of our remediation is ongoing and will require testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles.

We believe we have made substantial progress toward achieving effective internal control over financial reporting and disclosure controls and procedures. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will remediate the material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended **September 30, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information relating to legal proceedings contained in Note 6 to our condensed consolidated financial statements included elsewhere in this Quarterly Report is incorporated herein by this reference.

ITEM 1A. RISK FACTORS

We are subject to various risks and uncertainties, which could materially affect our business, results of operations, financial condition, future results, and the trading price of our common stock. You should read carefully the information appearing in Part I, Item 1A, Risk Factors in our **2022 2023** Form 10-K. Except as set forth below, there **There** have been no material changes to the risk factors set forth in our **2022 2023** Form 10-K. However, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially adversely affect our business, financial condition and/or operating results.

Ongoing antitrust regulatory and/or private plaintiff litigation activities, including the Antitrust Lawsuits, could result in meaningful industry-wide changes and could have a direct or indirect materially adverse affect on our business, financial condition, and results of operations.

The Department of Justice, or the DOJ, and other regulatory agencies have claimed that certain real estate practices have an anti-competitive effect on the industry. In 2021, the DOJ withdrew from its settlement with the National Association of Realtors, or NAR, related to antitrust matters in order to broaden its investigation of certain industry practices. The DOJ withdrawal is subject to ongoing litigation. Additionally, private plaintiffs have brought class action lawsuits against certain real estate companies and NAR, known as the

"Moehrl/Burnett-related suits," alleging violations of antitrust laws and seeking changes to the current market practice around agent and broker compensation that are beyond the changes NAR agreed to in the DOJ settlement. Multiple defendants have agreed to settle these lawsuits and make significant payments, and on October 31,

2023, a jury returned a \$1.8 billion verdict in the plaintiffs' favor with a potential for treble damages (to be determined by the court). We are not a party to the "Moehrl/Burnett-related suits." However, as described in more detail in Note 6 to our condensed consolidated financial statements included elsewhere in this Quarterly Report, we were recently named as a defendant in the Antitrust Lawsuits, which are similar in nature to the "Moehrl/Burnett-related suits."

The "Moehrl/Burnett-related suits" have prompted discussions of changes to the rules of local and state real estate boards and multiple listing services. We cannot predict the impact of the "Moehrl/Burnett-related suits" or the Antitrust Lawsuits on the prevailing market practice, or whether the outcomes of the "Moehrl/Burnett-related suits," the Antitrust Lawsuits or the DOJ activity will lead to additional state or federal regulation. Any of these ongoing regulatory and/or private plaintiff litigation activities could result in meaningful industry-wide changes to agent and broker practices and compensation, which in turn could have a materially adverse effect on our business, financial condition, and results of operations. Additionally, while we cannot predict the outcomes of the Antitrust Lawsuits and we are still in the process of assessing the impact that they will have on our business, the outcomes could have an adverse effect on our business, financial condition, and results of operations.

We have integrated, and may continue to integrate in the future, machine learning and AI in certain tools and features available on our platform. Machine learning and AI technology present various operational, compliance and reputational risks and if any such risks were to materialize, our business and results of operations may be adversely affected.

We have integrated machine learning and AI in a number of tools and features available on our platform that our agents use in their daily activities. For example, our "Likely to Sell" feature uses machine learning to recommend contacts to our agents with the highest likelihood of selling their homes within the next 12 months, and certain of our marketing tools use AI to help our agents write social media and marketing content, including, but not limited to, property descriptions and emails to their clients. We may continue to integrate machine learning and AI technology in new offerings. Notwithstanding the use of AI within our platform and certain agent activities, we have yet to utilize AI within our financial reporting or internal control over financial reporting functions. Given that machine learning and AI is a new and rapidly developing technology that is in its early stages of business use, it presents a number of operational, compliance and reputational risks. AI algorithms are currently known to sometimes produce unexpected results and behave in unpredictable ways (e.g., "hallucinatory behavior") that can generate irrelevant, nonsensical, deficient or factually incorrect content and results, which may result in reputational harm to us and our agents and be damaging to our "Compass" brand. Additionally, content, analyses or recommendations that are based on machine learning and AI might be found to be biased, discriminatory or harmful, might present ethical concerns and might violate current and future laws and regulations. We expect that there will continue to be new laws or regulations concerning the use of machine learning and AI technology, which might be burdensome for us to comply with and may limit our ability to offer our existing tools and features or new offerings based on machine learning and AI technology. Further, the use of machine learning and AI technology involves complexities and requires specialized expertise. We may not be able to attract and retain top talent to support our machine learning and AI technology initiatives and maintain our systems and infrastructure. Any disruption or failure in our machine learning and AI systems or infrastructure could result in delays and operational challenges. If any of the operational, compliance or reputational risks were to materialize, our business and results of operations may be adversely affected.

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

(a) Unregistered Sales of Equity Securities

From July 1, 2023 January 1, 2024 through September 30, 2023 May 9, 2024, we offered, sold and issued the following unregistered securities:

- (1) as previously disclosed in a Form 4s 4 filed with the SEC, Robert Reffkin, our founder and Chief Executive Officer, exchanged an aggregate of 240,588 77,493 shares of Class A common stock for an equivalent number of shares of Class C common stock pursuant to an Equity Exchange Right Agreement on July 6, 2023, August 3, 2023 and September 5, 2023; January 3, 2024.
- (2) as discussed in more detail in Note 7 to our condensed consolidated financial statements included elsewhere in this Quarterly Report and disclosed in a Form D filed with the SEC, 8,957,910 An aggregate of 1,426,608 shares of Class A common stock were issued on August 24, 2023 for January 9, 2024 and February 28, 2024, to the sellers in connection with an acquisition (the "Acquisition") and in lieu of certain earnout payments related to a purchase price prior acquisition, in the aggregate amount of \$32.3 million \$5.1 million. Additionally, in connection with the Strategic Transaction; and
- (3) as previously disclosed in Form Ds filed with the SEC, an aggregate of 637,406 Acquisition, we agreed to issue additional shares of Class A common stock were with respect to the release of the holdback payment and earnout payments, which will be determined based on Adjusted EBITDA as set forth in the agreement. We currently estimate to issue no more than an additional 187,879 shares, with the shares being issued on August 25, 2023 following the holdback payment release date and September 29, 2023, in connection with our acquisition of a certain company and in lieu of certain cash the earnout payment measurement periods. We reserved the right to pay such holdback and earnout payments related in cash instead of shares.
- (3) On April 3, 2024 and May 7, 2024, certain of our subsidiaries entered into a definitive purchase agreement and a merger agreement (collectively, the "Agreements"), respectively, in connection with two separate acquisitions. A portion of the consideration for each of the acquisitions will be payable to prior acquisitions, the sellers in shares of our Class A common stock. An aggregate of 6.6 million of shares is anticipated to be issued pursuant to the Agreements, in the aggregate amount of \$2.4 million. \$23.3 million, subject to certain adjustments. Additionally, under the Agreements, we agreed to issue additional shares of Class A common stock in connection with earnout payments, which will be determined based on Adjusted EBITDA as set forth in the Agreements and which we currently estimate to result in the issuance of no more than an additional 3.4 million shares, with the shares being issued over the course of three years following each earnout payment measurement period. We reserved the right to pay such earnout payments in cash instead of shares.

The offer, sale and issuance of the securities described above were exempt from registration under the Securities Act in reliance upon Section 3(a)(9) and Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder) as transactions by an issuer not involving any public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with the view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the three months ended **September 30, 2023** **March 31, 2024**, no director or executive officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

| Exhibit Index | | | | | | |
|----------------|--|---------------------------|-----------|---------|-------------|-----------------------------|
| Exhibit Number | Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
| | | Form | File No. | Exhibit | Filing Date | |
| 10.1 | Amendment No. 1 to the Second Amended and Restated Revolving Credit and Security Agreement among Compass Concierge SPV I, LLC, Barclays Bank PLC and the lenders party thereto, dated as of August 4, 2023 | 10-Q | 001-40291 | 10.1 | 8/8/23 | |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | Inline 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). | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). | | | | | X |

Exhibit Index

| Exhibit Number | Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
|----------------|---|---------------------------|----------|---------|-------------|-----------------------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
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| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | Inline 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). | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). | | | | | X |

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPASS, INC.

Date: November 7, 2023 May 9, 2024

By: /s/Robert Reffkin
Robert Reffkin
Chairman, Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023 May 9, 2024

By: /s/ Kalani Reelitz
Kalani Reelitz
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Reffkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass, 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)) 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. 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
 - c. 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.
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 7, 2023** May 9, 2024

By: /s/ Robert Reffkin

Robert Reffkin
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kalani Reelitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass, 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)) 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. 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
 - c. 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.
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 7, 2023** **May 9, 2024**

By: /s/ Kalani Reelitz

Kalani Reelitz
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Reffkin, Chief Executive Officer and Interim Principal Financial Officer of Compass, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended **September 30, 2023** **March 31, 2024** (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.

Date: **November 7, 2023** **May 9, 2024**

By: /s/ Robert Reffkin

Robert Reffkin
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kalani Reelitz, Chief Financial Officer of Compass, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended **September 30, 2023** **March 31, 2024** (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.

Date: **November 7, 2023** **May 9, 2024**

By: /s/ Kalani Reelitz

Kalani Reelitz

Chief Financial Officer

DISCLAIMER

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