

REFINITIV

DELTA REPORT

10-Q

MMI - MARCUS & MILLICHAP, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1032

■ CHANGES	360
■ DELETIONS	330
■ ADDITIONS	342

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 **June 30, 2023** **September 30, 2023**

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: 001-36155

MARCUS & MILLICHAP, INC.

(Exact name of registrant as specified in its Charter)

Delaware

35-2478370

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

23975 Park Sorrento, Suite 400
Calabasas, California

91302

(Address of Principal Executive Offices)

(Zip Code)

(818) 212-2250

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	MMI	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 No

Indicate by checkmark 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 time period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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. Yes No

Number of shares of common stock, par value \$0.0001 per share, of the registrant issued and outstanding as of **August 1, 2023** **October 31, 2023** was **38,460,595** **38,384,569** shares.

MARCUS & MILICHAP, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for shares and par value)

	Assets	June 30, 2023 (unaudited)	December 31, 2022	Assets	September 30, 2023 (unaudited)	December 31, 2022
Assets	Assets			Assets		
Current assets:	Current assets:			Current assets:		
Cash, cash equivalents, and restricted cash	Cash, cash equivalents, and restricted cash	\$ 171,220	\$ 235,873	Cash, cash equivalents, and restricted cash	\$ 224,174	\$ 235,873
Commissions receivable	Commissions receivable	9,954	8,453	Commissions receivable	14,751	8,453
Prepaid expenses	Prepaid expenses	8,872	9,411	Prepaid expenses	6,457	9,411
Income tax receivable	Income tax receivable	17,491	8,682	Income tax receivable	9,404	8,682
Marketable debt securities, available-for-sale (amortized cost of \$165,471 and \$254,682 at June 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)		164,856	253,434	Marketable debt securities, available-for-sale (amortized cost of \$116,989 and \$254,682 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)	116,713	253,434
Marketable debt securities, available-for-sale (amortized cost of \$116,989 and \$254,682 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)				Marketable debt securities, available-for-sale (amortized cost of \$116,989 and \$254,682 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)		
Advances and loans, net	Advances and loans, net	3,497	4,005	Advances and loans, net	3,567	4,005
Other assets, current	Other assets, current	5,850	7,282	Other assets, current	14,796	7,282
Total current assets	Total current assets	381,740	527,140	Total current assets	389,862	527,140
Property and equipment, net	Property and equipment, net	28,462	27,644	Property and equipment, net	28,088	27,644
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net	102,741	87,945	Operating lease right-of-use assets, net	96,878	87,945
Marketable debt securities, available-for-sale (amortized cost of \$74,776 and \$72,819 at June 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)		70,711	68,595	Marketable debt securities, available-for-sale (amortized cost of \$74,776 and \$72,819 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)	70,510	68,595
Marketable debt securities, available-for-sale (amortized cost of \$74,776 and \$72,819 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)				Marketable debt securities, available-for-sale (amortized cost of \$74,776 and \$72,819 at September 30, 2023 and December 31, 2022, respectively, and \$0 allowance for credit losses)		
Assets held in rabbi trust	Assets held in rabbi trust	10,365	9,553	Assets held in rabbi trust	10,065	9,553
Deferred tax assets, net	Deferred tax assets, net	35,933	41,321	Deferred tax assets, net	46,009	41,321

Goodwill and other intangible assets, net	Goodwill and other intangible assets, net	53,525	55,696	Goodwill and other intangible assets, net	52,087	55,696
Advances and loans, net	Advances and loans, net	181,944	169,955	Advances and loans, net	178,952	169,955
Other assets, non-current	Other assets, non-current	18,092	15,859	Other assets, non-current	9,662	15,859
Total assets	Total assets	\$ 883,513	\$ 1,003,708	Total assets	\$ 882,113	\$ 1,003,708
Liabilities and stockholders' equity	Liabilities and stockholders' equity			Liabilities and stockholders' equity		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable and accrued expenses	Accounts payable and accrued expenses	\$ 11,893	\$ 11,450	Accounts payable and accrued expenses	\$ 9,151	\$ 11,450
Deferred compensation and commissions	Deferred compensation and commissions	43,351	75,321	Deferred compensation and commissions	46,143	75,321
Operating lease liabilities	Operating lease liabilities	17,838	16,984	Operating lease liabilities	18,272	16,984
Accrued bonuses and other employee related expenses	Accrued bonuses and other employee related expenses	11,088	38,327	Accrued bonuses and other employee related expenses	15,342	38,327
Other liabilities, current	Other liabilities, current	4,899	9,933	Other liabilities, current	14,450	9,933
Total current liabilities	Total current liabilities	89,069	152,015	Total current liabilities	103,358	152,015
Deferred compensation and commissions	Deferred compensation and commissions	41,299	64,461	Deferred compensation and commissions	45,151	64,461
Operating lease liabilities	Operating lease liabilities	78,707	65,109	Operating lease liabilities	73,924	65,109
Other liabilities, non-current	Other liabilities, non-current	10,519	8,614	Other liabilities, non-current	10,327	8,614
Total liabilities	Total liabilities	219,594	290,199	Total liabilities	232,760	290,199
Commitments and contingencies	Commitments and contingencies	—	—	Commitments and contingencies	—	—
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Preferred stock, \$0.0001 par value:	Preferred stock, \$0.0001 par value:			Preferred stock, \$0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at June 30, 2023 and December 31, 2022, respectively	Authorized shares – 25,000,000; issued and outstanding shares – none at June 30, 2023 and December 31, 2022, respectively	—	—	Authorized shares – 25,000,000; issued and outstanding shares – none at September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, \$0.0001 par value:	Common stock, \$0.0001 par value:			Common stock, \$0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 38,460,595 and 39,255,838 at June 30, 2023 and December 31, 2022, respectively	Authorized shares – 150,000,000; issued and outstanding shares – 38,460,595 and 39,255,838 at June 30, 2023 and December 31, 2022, respectively	4	4	Common stock, \$0.0001 par value:		

Authorized shares - 150,000,000; issued and outstanding shares - 38,546,059 and 39,255,838 at September 30, 2023 and December 31, 2022, respectively	Authorized shares - 150,000,000; issued and outstanding shares - 38,546,059 and 39,255,838 at September 30, 2023 and December 31, 2022, respectively	4	4
Additional paid-in capital	Additional paid-in capital	140,142	131,541
Retained earnings	Retained earnings	526,373	585,581
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(2,600)	(3,617)
Total stockholders' equity	Total stockholders' equity	663,919	713,509
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 883,513	\$ 1,003,708

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Uaudited)

Revenue:	Revenue:	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended		
		June 30,		June 30,		September 30,		September 30,		
		2023	2022	2023	2022	2023	2022	2023	2022	
Real estate brokerage commissions	Real estate brokerage commissions	\$ 140,330	\$ 354,685	\$ 275,376	\$ 641,594	Real estate brokerage commissions	\$ 139,817	\$ 292,889	\$ 415,193	\$ 934,483
Financing fees	Financing fees	17,896	36,811	33,764	63,264	Financing fees	17,257	28,099	51,021	91,363
Other revenue	Other revenue	4,640	4,461	8,518	10,563	Other revenue	4,952	2,852	13,470	13,415
Total revenue	Total revenue	162,866	395,957	317,658	715,421	Total revenue	162,026	323,840	479,684	1,039,261
Operating expenses:	Operating expenses:					Operating expenses:				
Cost of services	Cost of services	101,163	256,042	196,590	452,810	Cost of services	104,628	217,360	301,218	670,170
Selling, general and administrative	Selling, general and administrative	68,910	79,841	141,129	154,376	Selling, general and administrative	69,192	73,004	210,321	227,380
Depreciation and amortization	Depreciation and amortization	3,468	3,332	6,675	7,243	Depreciation and amortization	3,637	2,924	10,312	10,167
Total operating expenses	Total operating expenses	173,541	339,215	344,394	614,429	Total operating expenses	177,457	293,288	521,851	907,717
Operating (loss) income	Operating (loss) income	(10,675)	56,742	(26,736)	100,992	Operating (loss) income	(15,431)	30,552	(42,167)	131,544
Other income (expense), net		4,890	(461)	9,700	(11)	Other income, net	4,422	978	14,122	967
Interest expense	Interest expense	(216)	(158)	(431)	(318)	Interest expense	(241)	(229)	(672)	(547)

(Loss) income before provision (benefit) for income taxes	(6,001)	56,123	(17,467)	100,663						
Provision (benefit) for income taxes	2,728	13,955	(2,905)	25,712						
(Loss) income before (benefit) provision for income taxes					(Loss) income before (benefit) provision for income taxes	(11,250)	31,301	(28,717)	131,964	
(Benefit) provision for income taxes					(Benefit) provision for income taxes	(2,010)	9,939	(4,915)	35,651	
Net (loss) income	Net (loss) income	\$ (8,729)	\$ 42,168	\$ (14,562)	\$ 74,951	Net (loss) income	\$ (9,240)	\$ 21,362	\$ (23,802)	\$ 96,313
(Loss) earnings per share:	(Loss) earnings per share:					(Loss) earnings per share:				
Basic	Basic	\$ (0.23)	\$ 1.05	\$ (0.37)	\$ 1.87	Basic	\$ (0.24)	\$ 0.53	\$ (0.61)	\$ 2.40
Diluted	Diluted	\$ (0.23)	\$ 1.04	\$ (0.37)	\$ 1.85	Diluted	\$ (0.24)	\$ 0.53	\$ (0.61)	\$ 2.39
Weighted average common shares outstanding:	Weighted average common shares outstanding:					Weighted average common shares outstanding:				
Basic	Basic	38,538	40,048	38,867	40,018	Basic	38,492	40,086	38,740	40,038
Diluted	Diluted	38,538	40,342	38,867	40,390	Diluted	38,492	40,302	38,740	40,358

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)
(Unaudited)

	Net (loss) income	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended		
		June 30,		June 30,		September 30,		September 30,		
		2023	2022	2023	2022	2023	2022	2023	2022	
Net (loss) income	Net (loss) income	\$ (8,729)	\$ 42,168	\$ (14,562)	\$ 74,951	Net (loss) income	\$ (9,240)	\$ 21,362	\$ (23,802)	\$ 96,313
Other comprehensive (loss) income:	Other comprehensive (loss) income:					Other comprehensive (loss) income:				
Marketable debt securities, available-for-sale:	Marketable debt securities, available-for-sale:					Marketable debt securities, available-for-sale:				
Change in net unrealized gains and losses	Change in net unrealized gains and losses	(516)	(1,558)	600	(3,915)	Change in net unrealized gains and losses	89	(1,541)	690	(5,456)
Less: reclassification adjustment for net losses (gains) included in other income (expense), net		17	7	17	(77)					
Net change, net of tax of \$(168) and \$198 for the three and six months ended June 30, 2023, and \$(528) and \$(1,366) for the three and six months ended June 30, 2022, respectively		(499)	(1,551)	617	(3,992)					
Foreign currency translation gain, net of tax of \$0 for each of the three and six months ended June 30, 2023 and 2022, respectively		346	179	400	120					

Reclassification adjustment for net gains and losses included in other income, net		Reclassification adjustment for net gains and losses included in other income, net	—	7	16	(70)				
Net change, net of tax of \$30 and \$228 for the three and nine months ended September 30, 2023, and \$(522) and \$(1,888) for the three and nine months ended September 30, 2022, respectively		Net change, net of tax of \$30 and \$228 for the three and nine months ended September 30, 2023, and \$(522) and \$(1,888) for the three and nine months ended September 30, 2022, respectively	89	(1,534)	706	(5,526)				
Foreign currency translation (loss) gain, net of tax of \$0 for each of the three and nine months ended September 30, 2023 and 2022, respectively		Foreign currency translation (loss) gain, net of tax of \$0 for each of the three and nine months ended September 30, 2023 and 2022, respectively	(405)	569	(5)	689				
Total other comprehensive (loss) income	Total other comprehensive (loss) income	(153)	(1,372)	1,017	(3,872)	Total other comprehensive (loss) income	(316)	(965)	701	(4,837)
Comprehensive (loss) income	Comprehensive (loss) income	\$ (8,882)	\$ 40,796	\$ (13,545)	\$ 71,079	Comprehensive (loss) income	\$ (9,556)	\$ 20,397	\$ (23,101)	\$ 91,476

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for shares)
(Unaudited)

	Three Months Ended June 30, 2023									
	Preferred Stock		Common Stock		Additional Paid-in Capital		Retained Earnings		Other Comprehensive Loss	
	Shares	Amount	Shares	Amount						Total
Balance at March 31, 2023	—	\$ —	38,876,354	\$ 4	\$ 132,905	\$ 551,696	\$ (2,447)	\$ 682,158		
Net and comprehensive (loss) income	—	—	—	—	—	(8,729)	—	(153)	(8,882)	
<i>Stock-based award activity</i>										
Stock-based compensation	—	—	—	—	5,351	—	—	—	5,351	
Shares issued pursuant to employee stock purchase plan	—	—	15,297	—	392	—	—	—	392	
Issuance of common stock for vesting of restricted stock units	—	—	43,923	—	—	—	—	—	—	
Issuance of common stock for unvested restricted stock awards	—	—	17,339	—	—	—	—	—	—	
Shares withheld related to net share settlement of stock-based awards	—	—	(11,885)	—	(339)	—	—	—	(339)	
Issuance of common stock for stock settled deferred consideration	—	—	58,205	—	1,833	—	—	—	1,833	

Repurchases of common stock	—	—	(538,638)	—	—	(16,594)	—	(16,594)
Balance as of June 30, 2023	—	\$	—	38,460,595	\$	4	\$	140,142

Three Months Ended September 30, 2023								
	Preferred Stock		Common Stock		Additional			Accumulated
	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Total
Balance at June 30, 2023	—	\$	—	38,460,595	\$	4	\$	140,142
Net and comprehensive loss	—	—	—	—	—	(9,240)	(316)	(9,556)
Dividends	—	—	—	—	—	(10,088)	—	(10,088)
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	5,446	—	—	5,446
Issuance of common stock for vesting of restricted stock units	—	—	95,672	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(10,208)	—	(368)	—	—	(368)
Balance as of September 30, 2023	—	\$	—	38,546,059	\$	4	\$	145,220

Three Months Ended June 30, 2022								
	Preferred Stock		Common Stock		Additional			Accumulated
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total
Balance at March 31, 2022	—	\$	—	39,795,399	\$	4	\$	122,782
Net and comprehensive income (loss)	—	—	—	—	—	42,168	(1,372)	40,796
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	4,275	—	—	4,275
Shares issued pursuant to employee stock purchase plan			11,089		414	—	—	414
Issuance of common stock for settlement of deferred stock units			166,449		—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	44,971	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards			11,494				—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(93,783)	—	(5,121)	—	—	(5,121)
Issuance of common stock for stock settled deferred consideration			28,673		1,417			1,417
Balance as of June 30, 2022	—	\$	—	39,964,292	\$	4	\$	123,767

Three Months Ended September 30, 2022								
	Preferred Stock		Common Stock		Additional			Accumulated
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total
Balance at June 30, 2022	—	\$	—	39,964,292	\$	4	\$	123,767
Net and comprehensive income (loss)	—	—	—	—	—	21,362	(965)	20,397
<i>Dividend</i>	—	—	—	—	—	(10,436)	—	(10,436)
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	4,544	—	—	4,544

Issuance of common stock for vesting of restricted stock units	—	—	63,397	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(3,471)	—	(137)	—	—	—	(137)
Repurchases of common stock	—	—	(226,795)	—	—	(7,577)	—	—	(7,577)
Balance as of September 30, 2022	—	\$ —	39,797,423	\$ 4	\$ 128,174	\$ 599,710	\$ (3,927)	\$ 723,961	

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for shares)
(Uaudited)

		Six Months Ended June 30, 2023												
		Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income		Total	Preferred Stock		Common Stock	
		Shares	Amount	Shares	Amount			Shares	Amount		Shares	Amount	Shares	Amount
Balance at December 31, 2022	Balance at December 31, 2022	—	\$ —	39,255,838	\$ 4	\$ 131,541	\$ 585,581	\$ (3,617)	\$ 713,509	Balance at December 31, 2022	—	\$ —	39,255,838	\$ 4
Net and comprehensive (loss) income	Net and comprehensive (loss) income	—	—	—	—	—	(14,562)	1,017	(13,545)	Net and comprehensive (loss) income	—	—	—	—
Dividends	Dividends	—	—	—	—	—	(10,284)	—	(10,284)	Dividends	—	—	—	—
Stock-based award activity	Stock-based award activity	—	—	—	—	—	—	—	—	Stock-based award activity	—	—	—	—
Stock-based compensation	Stock-based compensation	—	—	—	—	10,362	—	—	10,362	Stock-based compensation	—	—	—	—
Shares issued pursuant to employee stock purchase plan	Shares issued pursuant to employee stock purchase plan	—	—	15,297	—	392	—	—	392	Shares issued pursuant to employee stock purchase plan	—	—	—	15,297
Issuance of common stock for vesting of restricted stock units	Issuance of common stock for vesting of restricted stock units	—	—	337,796	—	—	—	—	—	Issuance of common stock for vesting of restricted stock units	—	—	—	433,492
Issuance of common stock for unvested restricted stock awards	Issuance of common stock for unvested restricted stock awards	—	—	17,339	—	—	—	—	—	Issuance of common stock for unvested restricted stock awards	—	—	—	17,339
Shares withheld related to net share settlement of stock-based awards	Shares withheld related to net share settlement of stock-based awards	—	—	(125,319)	—	(3,986)	—	—	(3,986)	Shares withheld related to net share settlement of stock-based awards	—	—	—	(135,505)

Issuance of common stock for stock settled deferred consideration	Issuance of common stock for stock settled deferred consideration	—	—	58,205	—	1,833	—	—	1,833	Issuance of common stock for stock settled deferred consideration	—	—	58,205	
Repurchases of common stock	Repurchases of common stock	—	—	(1,098,561)	—	—	(34,362)	—	(34,362)	Repurchases of common stock	—	—	(1,098,561)	
Balance as of June 30, 2023	— \$ 0 \$ 38,460,595 0 \$ 4 \$ 140,142 \$ 526,373 \$ (2,600) \$ 663,919	—	—	—	—	—	—	—	—	Balance as of September 30, 2023	— \$ 0 \$ 38,546,0	—	—	
Balance as of September 30, 2023	—	—	—	—	—	—	—	—	—	Balance as of September 30, 2023	— \$ 0 \$ 38,546,0	—	—	
Six Months Ended June 30, 2022														
		Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	—	—	—	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	
		Shares	Amount	Shares	Amount	Shares	Amount	—	—	Shares	Amount	Shares	Amount	
Balance at December 31, 2021	Balance at December 31, 2021	—	\$ 39,692,373	\$ 4	\$ 121,844	\$ 573,546	\$ 910	\$ 696,304	—	—	39,692,373	\$ 4	\$ 121,844	\$ 573,546
Net and comprehensive income (loss)	Net and comprehensive income (loss)	—	—	—	—	—	74,951	(3,872)	71,079	—	—	—	—	96,137
Dividends	Dividends	—	—	—	—	—	(52,136)	—	(52,136)	—	—	—	—	(62,136)
Stock-based award activity	Stock-based award activity	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	Stock-based compensation	—	—	—	—	8,131	—	—	8,131	—	—	—	—	12,675
Shares issued pursuant to employee stock purchase plan	Shares issued pursuant to employee stock purchase plan	—	—	11,089	—	414	—	—	414	—	—	11,089	—	414
Issuance of common stock for settlement of deferred stock units	Issuance of common stock for settlement of deferred stock units	—	—	166,449	—	—	—	—	—	—	—	166,449	—	—
Issuance of common stock for vesting of restricted stock units	Issuance of common stock for vesting of restricted stock units	—	—	212,234	—	—	—	—	—	—	—	275,631	—	—
Issuance of common stock for unvested restricted stock awards	Issuance of common stock for unvested restricted stock awards	—	—	11,494	—	—	—	—	—	—	—	11,494	—	—
Shares withheld related to net share settlement of stock-based awards	Shares withheld related to net share settlement of stock-based awards	—	—	(158,020)	—	(8,039)	—	—	(8,039)	—	—	(161,491)	—	(8,176)

Issuance of common stock for stock settled deferred consideration	Issuance of common stock for stock settled deferred consideration	—	—	28,673	—	1,417	—	—	1,417	Issuance of common stock for stock settled deferred consideration	—	—	28,673	—	1,417	
Balance as of June 30, 2022	—	\$	—	39,964,292	\$	4	\$123,767	\$596,361	\$ (2,962)	\$717,170	—	—	—	—	—	
Repurchases of common stock	—	—	—	—	—	—	—	—	—	—	Repurchases of common stock	—	—	(226,795)	—	—
Balance as of September 30, 2022	—	\$	—	39,797,423	\$	4	\$128,174	\$599,170	—	—	Balance as of September 30, 2022	—	\$	—	—	—

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Cash flows from operating activities	Six Months Ended June 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Cash flows from operating activities	Cash flows from operating activities			Cash flows from operating activities	
Net (loss) income	Net (loss) income	\$ (14,562)	\$ 74,951	Net (loss) income	\$ (23,802)
Adjustments to reconcile net (loss) income to net cash used in operating activities:	Adjustments to reconcile net (loss) income to net cash used in operating activities:			Adjustments to reconcile net (loss) income to net cash used in operating activities:	
Depreciation and amortization	Depreciation and amortization	6,675	7,243	Depreciation and amortization	10,312
Non-cash lease expense	Non-cash lease expense	12,928	11,944	Non-cash lease expense	18,824
Credit loss expense (recovery)	Credit loss expense (recovery)	634	(28)	Credit loss expense (recovery)	660
Stock-based compensation	Stock-based compensation	10,362	8,131	Stock-based compensation	15,808
Deferred taxes, net	Deferred taxes, net	5,188	(130)	Deferred taxes, net	(4,915)
Unrealized foreign exchange losses (gains)	Unrealized foreign exchange losses (gains)	(56)	403	Unrealized foreign exchange losses (gains)	13
Net realized losses (gains) on marketable debt securities, available-for-sale	Net realized losses (gains) on marketable debt securities, available-for-sale	23	(96)	Net realized losses (gains) on marketable debt securities, available-for-sale	23
Other non-cash items	Other non-cash items	(560)	(22)	Other non-cash items	(546)
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:	
Commissions receivable	Commissions receivable	(1,396)	2,922	Commissions receivable	(6,335)
Prepaid expenses	Prepaid expenses	540	3,177	Prepaid expenses	2,955
Advances and loans	Advances and loans	(12,043)	(48,539)	Advances and loans	(9,339)
Other assets	Other assets	(4,981)	(2,818)	Other assets	(5,371)

Accounts payable and accrued expenses	Accounts payable and accrued expenses	672	(2,684)	Accounts payable and accrued expenses	(1,872)	(4,942)
Income tax receivable and payable	Income tax receivable and payable	(8,808)	(15,005)	Income tax receivable and payable	(722)	(21,106)
Accrued bonuses and other employee related expenses	Accrued bonuses and other employee related expenses	(27,244)	(19,260)	Accrued bonuses and other employee related expenses	(22,970)	(15,239)
Deferred compensation and commissions	Deferred compensation and commissions	(54,154)	(61,047)	Deferred compensation and commissions	(47,135)	(45,481)
Operating lease liabilities	Operating lease liabilities	(8,852)	(9,759)	Operating lease liabilities	(13,445)	(14,598)
Other liabilities	Other liabilities	859	(1,223)	Other liabilities	743	(994)
Net cash used in operating activities	Net cash used in operating activities	(94,775)	(51,840)	Net cash used in operating activities	(87,114)	(11,775)
Cash flows from investing activities	Cash flows from investing activities			Cash flows from investing activities		
Acquisition of businesses, net of cash received	Acquisition of businesses, net of cash received	—	(12,500)	Acquisition of businesses, net of cash received	—	(12,500)
Purchases of marketable debt securities, available-for-sale	Purchases of marketable debt securities, available-for-sale	(142,867)	(174,259)	Purchases of marketable debt securities, available-for-sale	(175,985)	(276,708)
Proceeds from sales and maturities of marketable debt securities, available-for-sale	Proceeds from sales and maturities of marketable debt securities, available-for-sale	230,795	135,206	Proceeds from sales and maturities of marketable debt securities, available-for-sale	312,493	266,481
Issuances of employee notes receivable	Issuances of employee notes receivable	(119)	(71)	Issuances of employee notes receivable	(120)	(71)
Payments received on employee notes receivable	Payments received on employee notes receivable	33	71	Payments received on employee notes receivable	34	71
Purchase of property and equipment	Purchase of property and equipment	(5,469)	(5,022)	Purchase of property and equipment	(7,689)	(8,564)
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	82,373	(56,575)	Net cash provided by (used in) investing activities	128,733	(31,291)
Cash flows from financing activities	Cash flows from financing activities			Cash flows from financing activities		
Taxes paid related to net share settlement of stock-based awards	Taxes paid related to net share settlement of stock-based awards	(3,986)	(8,039)	Taxes paid related to net share settlement of stock-based awards	(4,354)	(8,176)
Proceeds from issuance of shares pursuant to employee stock purchase plan	Proceeds from issuance of shares pursuant to employee stock purchase plan	392	414	Proceeds from issuance of shares pursuant to employee stock purchase plan	392	414
Dividends paid	Dividends paid	(10,327)	(50,082)	Dividends paid	(10,439)	(50,161)

Principal payments on stock appreciation rights liability	Principal payments on stock appreciation rights liability	(1,945)	(1,761)	Principal payments on stock appreciation rights liability	(1,945)	(1,761)
Principal payments on deferred and contingent consideration	Principal payments on deferred and contingent consideration	(1,578)	(2,431)	Principal payments on deferred and contingent consideration	(2,044)	(2,431)
Cash paid for stock repurchases	Cash paid for stock repurchases	(34,928)	—	Cash paid for stock repurchases	(34,928)	(5,659)
Net cash used in financing activities	Net cash used in financing activities	(52,372)	(61,899)	Net cash used in financing activities	(53,318)	(67,774)
Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	121	(175)	Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	—	(436)
Net decrease in cash, cash equivalents, and restricted cash	Net decrease in cash, cash equivalents, and restricted cash	(64,653)	(170,489)	Net decrease in cash, cash equivalents, and restricted cash	(11,699)	(111,276)
Cash, cash equivalents, and restricted cash at beginning of period	Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140	Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140
Cash, cash equivalents, and restricted cash at end of period	Cash, cash equivalents, and restricted cash at end of period	171,220	\$ 211,651	Cash, cash equivalents, and restricted cash at end of period	224,174	\$ 270,864
Supplemental cash flow disclosures:	Supplemental cash flow disclosures:			Supplemental cash flow disclosures:		
Interest paid during the period	Interest paid during the period	\$ 408	\$ 514	Interest paid during the period	\$ 423	\$ 599
Income taxes paid, net	Income taxes paid, net	\$ 714	\$ 40,046	Income taxes paid, net	\$ 722	\$ 58,572
Supplemental disclosures of non-cash investing and financing activities:	Supplemental disclosures of non-cash investing and financing activities:			Supplemental disclosures of non-cash investing and financing activities:		
Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable				Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable	\$ 16	\$ —
Unpaid purchases of property and equipment	Unpaid purchases of property and equipment	\$ 382	\$ 1,196	Unpaid purchases of property and equipment	\$ 259	\$ 892
Right-of-use assets obtained in exchange for operating lease liabilities	Right-of-use assets obtained in exchange for operating lease liabilities	\$ 27,593	\$ 15,169	Right-of-use assets obtained in exchange for operating lease liabilities	\$ 27,669	\$ 20,799
Issuance of stock for the settlement of deferred consideration				Issuance of stock for the settlement of deferred consideration	\$ 1,833	\$ 1,417
Dividend payable				Dividend payable	\$ 10,555	\$ 12,412
Issuance of stock for the settlement of deferred consideration		\$ 1,833	\$ 1,417			

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

Marcus & Millichap, Inc. (the "Company," "Marcus & Millichap," or "MMI"), a Delaware corporation, is a brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. As of **June 30, 2023** **September 30, 2023**, MMI operates over 80 offices in the United States and Canada through its wholly-owned subsidiaries, including the operations of Marcus & Millichap Capital Corporation.

Reorganization and Initial Public Offering

MMI was formed in June 2013 in preparation for Marcus & Millichap Company ("MMC") to spin-off its majority-owned subsidiary, Marcus & Millichap Real Estate Investment Services, Inc. ("MMREIS"). Prior to the initial public offering ("IPO") of MMI, all of the preferred and common stockholders of MMREIS (including MMC and employees of MMREIS) contributed all of their outstanding shares to MMI, in exchange for new MMI common stock. As a result, MMREIS became a wholly-owned subsidiary of MMI. Thereafter, MMC distributed 80.0% of the shares of MMI common stock to MMC's shareholders and exchanged the remaining portion of its shares of MMI common stock for cancellation of indebtedness of MMC. MMI completed its IPO on November 5, 2013.

Basis of Presentation

The financial information presented in the accompanying unaudited condensed consolidated financial statements, has been prepared in accordance with rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements and notes include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the condensed consolidated financial position, results of operations and cash flows for the periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto, including the Company's accounting policies for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K filed on February 28, 2023 with the SEC. The results of the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results to be expected for the year ending December 31, 2023, for other interim periods or for future years.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents, and restricted cash, investments in marketable debt securities, available-for-sale, security deposits (included under other assets, non-current) and commissions receivable, net. Cash, cash equivalents, and restricted cash are placed with high-credit quality financial institutions and invested in high-credit quality money market funds and commercial paper. Concentrations and ratings of marketable debt securities, available-for-sale are limited by the approved investment policy.

MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

To reduce its credit risk, the Company monitors the credit standing of the financial institutions money market funds that represent amounts recorded as cash, cash equivalents, and restricted cash. The Company historically has not experienced any significant losses related to cash, cash equivalents, and restricted cash.

In September 2021, the Company entered into a Strategic Alliance ("Strategic Alliance") with M&T Realty Capital Corporation ("MTRCC") pursuant to which the Company has agreed to provide loan opportunities that may be funded through MTRCC's Delegated Underwriting and Servicing Agreement ("DUS Agreement") with the Federal National Mortgage Association ("Fannie Mae") that requires MTRCC to guarantee a portion of each loan funded. On a loan-by-loan basis, the Company, at its option, can indemnify a portion of MTRCC's guarantee obligation of loan opportunities presented to and closed by MTRCC through the DUS Agreement. The Company manages and limits the concentration of risk related to the guarantees assumed by monitoring the underlying property type, geographic location, credit of the borrowers, underlying debt service coverage, and loan to value ratios.

The Company derives its revenue from a broad range of real estate investors, owners, and users in the United States and Canada, none of which individually represents a significant concentration of credit risk. The Company maintains allowances, as needed, for estimated credit losses based on management's assessment of the likelihood of collection. For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, no transaction represented 10% or more of total revenue. Further, while one or more transactions may represent 10% or more of commissions receivable at any reporting date, amounts due are typically collected within 10 days of settlement and, therefore, do not expose the Company to significant credit risk.

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company's Canadian operations represented **3.5%** **5.4%** and **3.2%** **4.0%** of total revenue, respectively. During both the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, the Company's Canadian operations represented **2.2%** **1.5%** and **2.0%** of total revenue, respectively.

During **each** of the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, no office represented 10% or more of total revenue.

Revenue Recognition

The Company generates real estate brokerage commissions by acting as a broker for real estate owners or investors seeking to buy or sell interests in commercial properties and generates financing fees from securing financing on purchase transactions, from refinancing its clients' existing mortgage debt and other ancillary fees associated with financing activities, including, but not limited to, debt and equity advisory services, loan sales, due diligence services, guarantee fees, and loan performance fees.

Real Estate Brokerage Commissions

Contracts for representing buyers and sellers of real estate are usually negotiated on a transaction-by-transaction basis. The consideration associated with the successful outcome remains constrained until the completion of a transaction which occurs at the close of escrow. At that time, the Company's performance is complete, and revenue is recorded.

Financing Fees

Contracts for representing potential borrowers are usually negotiated on a transaction-by-transaction basis. The consideration associated with the successful outcome remains constrained until the completion of a transaction which occurs at the time the loan closes. At that time, the Company recognizes revenue related to the transaction. The Company's fee arrangements, with an exception for guarantee obligations, do not include terms or conditions that require the Company to perform any service or fulfill any obligation once the loan closes.

Loan Performance Fees - For loans originated through the Strategic Alliance with MTRCC, the Company receives variable consideration in the form of loan performance fees based on a portion of the servicing fees expected to be received under the servicing contract for servicing the loan. As the Company is not obligated to perform any servicing functions and has no further obligations related to the transaction giving rise to the loan performance fees, the estimated value of the loan performance fees to be received is recorded at the time the loan closes and are collected over the estimated term of the

MARCUS & MILICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

related loan. Any changes in the estimate of loan performance fees to be received are recorded in revenue in the period the estimate changes.

MARCUS & MILICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Guarantee Obligations - For certain loans originated through the Strategic Alliance with MTRCC, the Company may agree, at its option, to indemnify MTRCC for a portion of MTRCC's obligations for loans sold to Fannie Mae. For these loans, the Company allocates a portion of the transaction price and records a loan guarantee obligation based on its fair value. Revenue for this stand-ready obligation is recorded on a straight-line basis over the term of the estimated guarantee period and is recorded in financing fees in the condensed consolidated statements of operations. The guarantee obligation is capped at 16.7% of any unpaid principal balance in excess of the collateral securing such loan. For these loans, the Company is required to pledge cash in a restricted bank account in support of the guarantee obligation. The Company records an allowance for estimated losses related to the loans subject to the guarantee considering the risk characteristics of the loan, the loan's risk rating, historical loss experience, potential adverse situations affecting individual loans and other forecasted information as appropriate.

Mortgage Servicing - The Company recognized mortgage servicing revenue upon the acquisition of a servicing contract. The Company recorded servicing fees when earned, provided the loans were current and the debt service payments were made by the borrowers. As of September 30, 2022, the Company no longer owns any mortgage servicing rights.

Other Revenue

Other revenue includes fees generated from consulting and advisory services and fees are recognized when services are provided, or upon closing of the transaction.

2. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
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Computer software and hardware equipment	Computer software and hardware equipment	\$ 46,995	\$ 42,617	Computer software and hardware equipment	\$ 48,913	\$ 42,617
Furniture, fixtures and equipment	Furniture, fixtures and equipment	26,964	26,453	Furniture, fixtures and equipment	27,014	26,453
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	(45,497)	(41,426)	Less: accumulated depreciation and amortization	(47,839)	(41,426)
		\$ 28,462	\$ 27,644		\$ 28,088	\$ 27,644

Depreciation expense for property and equipment was \$2.3 million \$2.4 million and \$1.8 million \$1.7 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$4.3 million \$6.7 million and \$3.7 million \$5.4 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

MARCUS & MILICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

3. Investments in Marketable Debt Securities, Available-for-Sale

Amortized cost, allowance for credit losses, gross unrealized gains (losses) in accumulated other comprehensive (loss) income and fair value of marketable debt securities, available-for-sale, by type of security consisted of the following (in thousands):

		June 30, 2023					September 30, 2023				
		Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:	Short-term investments:						Short-term investments:				
U.S. treasuries	U.S. treasuries	\$ 65,984	\$ —	\$ —	\$ (489)	\$ 65,495	U.S. treasuries	\$ 52,455	\$ —	\$ —	\$ (201) \$ 52,254
Corporate debt	Corporate debt	99,487	—	1	(127)	99,361	Corporate debt	64,534	—	—	(75) 64,459
		<u>\$ 165,471</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (616)</u>	<u>\$ 164,856</u>		<u>\$ 116,989</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (276) \$ 116,713</u>
Long-term investments:	Long-term investments:						Long-term investments:				
U.S. treasuries	U.S. treasuries	\$ 18,115	\$ —	\$ —	\$ (706)	\$ 17,409	U.S. treasuries	\$ 18,152	\$ —	\$ —	\$ (651) \$ 17,501
U.S. government sponsored entities	U.S. government sponsored entities	574	—	—	(64)	510	U.S. government sponsored entities	562	—	—	(88) 474
Corporate debt	Corporate debt	44,923	—	6	(2,679)	42,250	Corporate debt	44,018	—	—	(2,911) 41,107
Asset-backed securities ("ABS") and other	Asset-backed securities ("ABS") and other	11,146	—	—	(604)	10,542	Asset-backed securities ("ABS") and other	12,044	—	—	(616) 11,428
		<u>\$ 74,758</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ (4,053)</u>	<u>\$ 70,711</u>		<u>\$ 74,776</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,266) \$ 70,510</u>

December 31, 2022											
Allowance for Credit Losses											
		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value			
				Allowance for Credit Losses	Gross Unrealized Gains	Allowance for Credit Losses	Gross Unrealized Gains	Unrealized Losses	Unrealized Losses	Unrealized Losses	Unrealized Losses
Short-term investments:											
U.S. treasuries											

U.S. treasuries \$ 135,688 \$ — \$ 14 \$ (1,153) \$ 134,549

Corporate debt	118,135	—	1	(95)	118,041
ABS and other	859	—	—	(15)	\$ 844
	<u>\$ 254,682</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ (1,263)</u>	<u>\$ 253,434</u>
<i>Long-term investments:</i>					
U.S. treasuries	\$ 21,434	\$ —	\$ —	\$ (719)	\$ 20,715
U.S. government sponsored entities	602	—	—	(66)	536
Corporate debt	44,214	—	21	(2,877)	41,358
ABS and other	6,569	—	—	(583)	5,986
	<u>\$ 72,819</u>	<u>\$ —</u>	<u>\$ 21</u>	<u>\$ (4,245)</u>	<u>\$ 68,595</u>

MARCUS & MILICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The Company's investments in marketable debt securities, available-for-sale, that have been in a continuous unrealized loss position, for which an allowance for credit losses has not been recorded, by type of security consisted of the following (in thousands):

		June 30, 2023						September 30, 2023						
		Less than 12 months		12 months or greater		Total		Less than 12 months		12 months or greater		Total		
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
U.S. treasures	U.S. treasuries	\$ 42,767	\$ (139)	\$ 39,930	\$ (1,056)	\$ 82,697	\$ (1,195)	U.S. treasures	\$ 25,803	\$ (23)	\$ 43,677	\$ (829)	\$ 69,480	\$ (852)
U.S. government sponsored entities	U.S. government sponsored entities	—	—	509	(64)	509	(64)	U.S. government sponsored entities	—	—	472	(88)	472	(88)
Corporate debt	Corporate debt	107,067	(564)	25,047	(2,242)	132,114	(2,806)	Corporate debt	71,514	(255)	33,638	(2,731)	105,152	(2,986)
ABS and other	ABS and other	4,623	(83)	5,887	(521)	10,510	(604)	ABS and other	5,265	(97)	6,130	(519)	11,395	(616)
		<u>\$ 154,457</u>	<u>\$ (786)</u>	<u>\$ 71,373</u>	<u>\$ (3,883)</u>	<u>\$ 225,830</u>	<u>\$ (4,669)</u>		<u>\$ 102,582</u>	<u>\$ (375)</u>	<u>\$ 83,917</u>	<u>\$ (4,167)</u>	<u>\$ 186,499</u>	<u>\$ (4,542)</u>

		December 31, 2022						December 31, 2022						
		Less than 12 months		12 months or greater		Total		Less than 12 months		12 months or greater		Total		
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
U.S. treasures	U.S. treasuries	\$ 73,055	\$ (1,232)	\$ 66,144	\$ (640)	\$ 139,199	\$ (1,872)	U.S. treasures	\$ 73,055	\$ (1,232)	\$ 66,144	\$ (640)	\$ 139,199	\$ (1,872)
U.S. government sponsored entities	U.S. government sponsored entities	447	(46)	87	(20)	534	(66)	U.S. government sponsored entities	447	(46)	87	(20)	534	(66)
Corporate debt	Corporate debt	130,816	(1,909)	10,681	(1,063)	141,497	(2,972)	Corporate debt	130,816	(1,909)	10,681	(1,063)	141,497	(2,972)
ABS and other	ABS and other	4,710	(314)	2,091	(284)	6,801	(598)	ABS and other	4,710	(314)	2,091	(284)	6,801	(598)
		<u>\$ 209,028</u>	<u>\$ (3,501)</u>	<u>\$ 79,003</u>	<u>\$ (2,007)</u>	<u>\$ 288,031</u>	<u>\$ (5,508)</u>		<u>\$ 209,028</u>	<u>\$ (3,501)</u>	<u>\$ 79,003</u>	<u>\$ (2,007)</u>	<u>\$ 288,031</u>	<u>\$ (5,508)</u>

⁽ⁱ⁾ The fair value excludes accrued interest receivable.

Gross realized gains and losses from the sales of the Company's marketable debt securities, available-for-sale, consisted of the following (in thousands):

	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	June 30,		June 30,		September 30,		September 30,		June 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross realized gains ⁽¹⁾	Gross realized gains ⁽¹⁾	\$ —	\$ 1	\$ —	\$ 114	Gross realized gains ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 114				
Gross realized losses ⁽¹⁾	Gross realized losses ⁽¹⁾	\$ (23)	\$ (17)	\$ (23)	\$ (17)	Gross realized losses ⁽¹⁾	\$ —	\$ (10)	\$ (23)	\$ (27)						

⁽¹⁾ Recorded in other income, (expense), net in the condensed consolidated statements of operations. The cost basis of securities sold were determined based on the specific identification method.

The Company invests its excess cash in a diversified portfolio of fixed and variable rate debt securities to meet current and future cash flow needs. All investments are made in accordance with the Company's approved investment policy. As of **June 30, 2023** **September 30, 2023**, the portfolio had a weighted average credit rating of **AA** and a weighted term to contractual maturity of **1.7** **1.9** years, with **226** **220** securities in the portfolio representing an unrealized aggregate loss of **\$4.7 million** **\$4.5 million**, or 2% of amortized cost, and a weighted average credit rating of **AA**.

As of **June 30, 2023** **September 30, 2023**, the Company performed an impairment analysis and determined an allowance for credit losses was not required. The Company determined that it did not have an intent to sell and it was not more likely than not that the Company would be required to sell any security based on its current liquidity position, or to maintain compliance with its investment policy, specifically as it relates to minimum credit ratings. The Company evaluated the securities with an unrealized loss considering severity of loss, credit ratings, specific credit events during the period since acquisition, overall likelihood of default, market sector, potential impact from the current economic environment, including interest

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rates, geopolitical unrest and a review of an issuer's and securities' liquidity and financial strength, as needed. The Company concluded that it would receive all scheduled interest and principal payments. The Company, therefore, determined

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qualitatively that the unrealized loss was related to changes in interest rates and other market factors and therefore no allowance for credit losses was required.

Amortized cost and fair value of marketable debt securities, available-for-sale, by contractual maturity consisted of the following (in thousands, except weighted average data):

		June 30, 2023				December 31, 2022				September 30, 2023				December 31, 2022			
		Amortized		Amortized		Amortized		Amortized		Amortized		Amortized		Amortized		Amortized	
		Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Due in one year or less	Due in one year or less	\$ 165,471	\$ 164,856	\$ 254,683	\$ 253,434	Due in one year or less	\$ 116,989	\$ 116,713	\$ 254,683	\$ 253,434							
Due after one year through five years	Due after one year through five years	55,898	53,492	56,507	54,169	Due after one year through five years	55,024	52,633	56,507	54,169							
Due after five years through ten years	Due after five years through ten years	14,560	13,210	13,435	11,850	Due after five years through ten years	12,293	10,987	13,435	11,850							
Due after ten years	Due after ten years	4,300	4,009	2,876	2,576	Due after ten years	7,459	6,890	2,876	2,576							
		\$ 240,229	\$ 235,567	\$ 327,501	\$ 322,029		\$ 191,765	\$ 187,223	\$ 327,501	\$ 322,029							

Weighted average contractual maturity	Weighted average contractual maturity	1.7 years	1.1 years	Weighted average contractual maturity	1.9 years	1.1 years
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Actual maturities may differ from contractual maturities because certain issuers have the right to prepay certain obligations with or without prepayment penalties.

4. Acquisitions, Goodwill and Other Intangible Assets

Goodwill is recorded as part of the Company's acquisitions and primarily arose from the acquired assembled workforce and brokerage and financing sales platforms. The Company expects all of the goodwill to be tax deductible, with the tax-deductible amount of goodwill related to the contingent and deferred consideration to be determined once the cash payments are made to settle any contingent and deferred consideration. The goodwill resulting from acquisitions is allocated to the Company's one reporting unit.

Goodwill and intangible assets, net consisted of the following (in thousands):

		June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022			
		Gross			Gross			Gross			Gross			
		Carrying	Accumulated	Net Book	Carrying	Accumulated	Net Book	Carrying	Accumulated	Net Book	Carrying	Accumulated	Net Book	
		Amount	Amortization	Value	Amount	Amortization	Value	Amount	Amortization	Value	Amount	Amortization	Value	
Goodwill and intangible assets:	Goodwill and intangible assets:							Goodwill and intangible assets:						
Goodwill	Goodwill	\$ 38,047	\$ —	\$ 38,047	\$ 37,914	\$ —	\$ 37,914	Goodwill	\$ 37,909	\$ —	\$ 37,909	\$ 37,914	\$ —	\$ 37,914
Intangible assets (1)	Intangible assets (1)	32,420	(16,942)	15,478	32,287	(14,505)	17,782	Intangible assets (1)	30,884	(16,706)	14,178	32,287	(14,505)	17,782
		\$ 70,467	\$ (16,942)	\$ 53,525	\$ 70,201	\$ (14,505)	\$ 55,696		\$ 68,793	\$ (16,706)	\$ 52,087	\$ 70,201	\$ (14,505)	\$ 55,696

⁽¹⁾ Total weighted average amortization period was 4.240 years and 4.5 years as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. Intangible assets principally include non-competes and customer relationships.

The Company recorded amortization expense for intangible assets of \$1.1 million \$1.3 million and \$1.2 million for both the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$2.3 million \$3.6 million and \$3.5 million for both the six nine months ended June 30, 2023 September 30, 2023 and 2022.

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The changes in the carrying amount of goodwill consisted of the following (in thousands):

	Six Months Ended June 30, 2023	September 30, 2023
Beginning balance	\$ 37,914	—
Additions from acquisitions	—	—
Impact of foreign currency translation	133 (5)	—
Ending balance	\$ 38,047	37,909

Estimated amortization expense for intangible assets by year for the next five years and thereafter consisted of the following (in thousands):

		June 30, 2023			September 30, 2023
Remainder of 2023	Remainder of 2023	\$ 2,275	Remainder of 2023	\$ 1,063	
2024	2024	4,101	2024		4,022
2025	2025	3,880	2025		3,871
2026	2026	2,156	2026		2,156
2027	2027	1,855	2027		1,855
Thereafter	Thereafter	1,211	Thereafter		1,211
		\$ 15,478		\$ 14,178	

The Company evaluates goodwill for impairment annually in the fourth quarter. In addition to the annual impairment evaluation, the Company evaluates at least quarterly whether events or circumstances have occurred in the period subsequent to the annual impairment testing, which indicate that it is more likely than not an impairment loss has occurred. The Company evaluates its intangible assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

As of **June 30, 2023** **September 30, 2023**, the Company considered the impact of economic conditions and evaluated its goodwill and intangible assets for impairment testing. The Company estimated the recoverability of the intangible assets by comparing the carrying amount of each asset to the future undiscounted cash flows that the Company expects the asset to generate. The sum of the undiscounted expected future cash flows was greater than the carrying amount of the intangible assets. The Company concluded that as of **June 30, 2023** **September 30, 2023**, there was no impairment of its intangible assets or goodwill.

5. Selected Balance Sheet Data

Allowances on Advances and Loans

Allowance for credit losses for advances and loans as of **June 30, 2023** **September 30, 2023** and December 31, 2022 was **\$578,000** **\$762,000** and **\$791,000**, respectively.

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Other Assets

Other assets consisted of the following (in thousands):

		Current		Non-Current			Current		Non-Current	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
		Security deposits	Employee notes receivable	Securities, held-to- maturity ⁽¹⁾	Loan performance fee receivable	Other ⁽²⁾	Other ⁽²⁾	Security deposits	Employee notes receivable	Securities, held-to- maturity ⁽¹⁾
Security deposits	Security deposits	\$ —	\$ —	\$ 1,500	\$ 1,625	Security deposits	\$ —	\$ —	\$ 1,478	\$ 1,625
Employee notes receivable	Employee notes receivable	52	6	38	—	Employee notes receivable	42	6	32	—
Securities, held-to- maturity ⁽¹⁾	Securities, held-to- maturity ⁽¹⁾	—	—	9,500	9,500	Securities, held-to- maturity ⁽¹⁾	9,500	—	—	9,500
Loan performance fee receivable	Loan performance fee receivable	1,261	766	6,565	4,261	Loan performance fee receivable	1,685	766	7,675	4,261
Other ⁽²⁾	Other ⁽²⁾	4,537	6,510	489	473	Other ⁽²⁾	3,569	6,510	477	473
		\$ 5,850	\$ 7,282	\$ 18,092	\$ 15,859		\$ 14,796	\$ 7,282	\$ 9,662	\$ 15,859

⁽¹⁾ Securities, held-to-maturity, are expected to mature on September 1, 2024 and accrue interest based on the 1-year treasury rate.

⁽²⁾ Other primarily includes customer trust accounts and prepaid lease costs.

Deferred Compensation and Commissions

Deferred compensation and commissions consisted of the following (in thousands):

		Current		Non-Current			Current		Non-Current	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
		Stock appreciation rights ("SARs") liability ⁽¹⁾	Stock appreciation rights ("SARs") liability ⁽¹⁾	Commissions payable to investment sales and financing professionals	Commissions payable to investment sales and financing professionals	Stock appreciation rights ("SARs") liability ⁽¹⁾	Commissions payable to investment sales and financing professionals	Stock appreciation rights ("SARs") liability ⁽¹⁾	Commissions payable to investment sales and financing professionals	
Stock appreciation rights ("SARs") liability ⁽¹⁾	Stock appreciation rights ("SARs") liability ⁽¹⁾	\$ 2,480	\$ 2,323	\$ 11,037	\$ 13,137	Stock appreciation rights ("SARs") liability ⁽¹⁾	\$ 2,480	\$ 2,323	\$ 11,228	\$ 13,137
Commissions payable to investment sales and financing professionals	Commissions payable to investment sales and financing professionals	40,196	72,247	22,647	45,156	Commissions payable to investment sales and financing professionals	43,028	72,247	26,575	45,156

Deferred compensation liability ⁽¹⁾	Deferred compensation liability ⁽¹⁾	471	493	7,615	6,168	Deferred compensation liability ⁽¹⁾	431	493	7,348	6,168
Other	Other	204	258	—	—	Other	204	258	—	—
		<u>\$ 43,351</u>	<u>\$ 75,321</u>	<u>\$ 41,299</u>	<u>\$ 64,461</u>		<u>\$ 46,143</u>	<u>\$ 75,321</u>	<u>\$ 45,151</u>	<u>\$ 64,461</u>

⁽¹⁾ The SARs and deferred compensation liabilities become subject to payout at the time the participant is no longer considered a service provider. As a result of the retirement of certain participants, estimated amounts to be paid to participants within the next twelve months have been classified as current.

SARs Liability

Prior to the IPO, certain employees of the Company were granted SARs under a stock-based compensation program assumed by MMC. In connection with the IPO, the SARs agreements were revised, the MMC liability of \$20.0 million for the SARs was frozen as of March 31, 2013 and was transferred to MMI through a capital distribution. The SARs liability will be settled with each participant in ten annual installments in January of each year upon retirement or termination from service, or in full upon consummation of a change in control of the Company.

Under the revised agreements, MMI is required to accrue interest on the outstanding balance beginning on January 1, 2014, at a rate based on the 10-year treasury note, plus 2%. The rate resets annually. The rates at January 1, 2023 and 2022 were 5.79% and 3.63%, respectively. MMI recorded interest expense related to this liability of \$190,000 and \$136,000 \$135,000 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$380,000 \$570,000 and \$271,000 \$406,000 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

Estimated payouts within the next twelve months for participants that have separated from service have been classified as current. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company made total payments of \$2.3 million and \$2.2 million, respectively, consisting of principal and accumulated interest.

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Commissions Payable

Certain investment sales and financing professionals can earn additional commissions after meeting certain annual revenue thresholds. These commissions are recognized as cost of services in the period in which they are earned as they relate to specific transactions closed. The Company may defer payment of certain commissions, at its election, for up to three years. Commissions that are not expected to be paid within twelve months are classified as long-term.

Deferred Compensation Liability

A select group of management is eligible to participate in the Marcus & Millichap Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan is a non-qualified deferred compensation plan that is intended to comply with Section 409A of the Internal Revenue Code and permits participants to defer compensation up to the limits set forth in the Deferred Compensation Plan. Amounts are paid out generally when the participant is no longer a service provider; however, an in-service payout election is available to participants. Participants may elect to receive payouts as a lump sum or quarterly over a two to fifteen-year period. The Company elected to fund the Deferred Compensation Plan through Company-owned variable life insurance policies. The Deferred Compensation Plan is managed by a third-party institutional fund manager, and the deferred compensation and investment earnings are held as a Company asset in a rabbi trust, which is recorded in assets held in rabbi trust in the accompanying condensed consolidated balance sheets. The assets in the trust are restricted unless the Company becomes insolvent, in which case the trust assets are subject to the claims of the Company's creditors. The Company may also, in its sole and absolute discretion, elect to withdraw at any time a portion of the trust assets by an amount by which the fair market value of the trust assets exceeds 110% of the aggregate deferred compensation liability represented by the participants' accounts. Estimated payouts within the next twelve months for participants that have separated from service or elected an in-service payout have been classified as current. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company made total payments to participants of \$163,000 \$240,000 and \$625,000 \$807,000 respectively.

The assets held in the rabbi trust are carried at the cash surrender value of the variable life insurance policies, which represents its fair value. The net change in the carrying value of the assets held in the rabbi trust and the net change in the carrying value of the deferred compensation liability, each exclusive of additional contributions, distributions and trust expenses, consisted of the following (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Increase (decrease) in the carrying value of the assets held in the rabbi trust ⁽¹⁾	\$ 472	\$ (1,259)	\$ 930	\$ (1,784)
(Increase) decrease in the net carrying value of the deferred compensation obligation ⁽²⁾	\$ (452)	\$ 1,259	\$ (885)	\$ 1,791

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

	2023	2022	2023	2022
(Decrease) increase in the carrying value of the assets held in the rabbi trust ⁽¹⁾	\$ (237)	\$ (347)	\$ 693	\$ (2,131)
Decrease (increase) in the net carrying value of the deferred compensation obligation ⁽²⁾	\$ 262	\$ 317	\$ (623)	\$ 2,108

(1) Recorded in other income, (expense), net in the condensed consolidated statements of operations.

(2) Recorded in selling, general and administrative expense in the condensed consolidated statements of operations.

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Other Liabilities

Other liabilities consisted of the following (in thousands):

		Current		Non-Current		Deferred consideration	Current		Non-Current	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
		Deferred consideration	Contingent consideration	Dividends payable	Stock repurchase payable		Deferred consideration	Contingent consideration	Dividends payable	Stock repurchase payable
Deferred consideration	Deferred consideration	\$ 1,294	\$ 3,633	\$ 724	\$ 1,486	Deferred consideration	\$ 837	\$ 3,633	\$ 725	\$ 1,486
Contingent consideration	Contingent consideration	1,513	1,726	5,005	5,341	Contingent consideration	1,649	1,726	4,156	5,341
Dividends payable	Dividends payable	645	612	1,528	1,603	Dividends payable	10,438	612	1,709	1,603
Stock repurchase payable	Stock repurchase payable	—	565	—	—	Stock repurchase payable	—	565	—	—
Loan guarantee obligation	Loan guarantee obligation	537	2,040	2,696	—	Loan guarantee obligation	725	2,040	3,050	—
Other	Other	910	1,357	566	184	Other	801	1,357	687	184
		\$ 4,899	\$ 9,933	\$ 10,519	\$ 8,614		\$ 14,450	\$ 9,933	\$ 10,327	\$ 8,614

6. Related-Party Transactions

Shared and Transition Services

Certain services are provided to the Company under a Transition Services Agreement ("TSA") between MMC and the Company. The TSA is intended to provide certain services until the Company acquires these services separately. Under the TSA, the Company earned net charge-backs during the three months ended June 30, 2023 September 30, 2023 and 2022 of \$19,000 \$24,000 and \$7,000, \$17,000, respectively, and during the six nine months ended June 30, 2023 September 30, 2023 and 2022 of \$44,000 \$68,000 and \$18,000, \$35,000, respectively. These amounts are included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations.

Brokerage and Financing Services with the Subsidiaries of MMC

MMC has wholly or majority owned subsidiaries that buy and sell commercial real estate properties. The Company performs certain brokerage and financing services related to transactions of the subsidiaries of MMC. For the three months ended June 30, 2023 September 30, 2023 and 2022, the Company earned real estate brokerage commissions and financing fees of \$0 and \$912,000, \$650,000, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of \$0 and \$547,000, \$388,000, respectively, related to this revenue. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company earned real estate brokerage commissions and financing fees of \$441,000 and \$2,510,000, \$3,200,000, respectively, from transactions with subsidiaries of MMC related to these services. The For the nine months ended September 30, 2023 and 2022, the Company incurred cost of services of \$264,000 and \$1,501,000, \$1,900,000, respectively, related to this revenue.

Operating Lease with MMC

The Company extended its operating lease with MMC for a single-story office building located in Palo Alto, California, which expires in May 2032. The related operating lease cost was \$295,000 \$291,000 and \$320,000 \$296,000 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$592,000 \$883,000 and \$653,000 \$967,000 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Operating lease cost is included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations. The related operating lease right-of-use asset, net and operating lease liability as of June 30, 2023 September 30, 2023 was \$8,115,000 \$7,934,000 and \$8,442,000, \$8,425,000, respectively and as of December 31, 2022 was \$9,041,000 and \$9,262,000, respectively.

Amounts due to (from) MMC

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company recorded a receivable of **\$3,000** **\$5,000** and a payable of \$79,000 with MMC, respectively. These amounts are included in other assets, current and accounts payable and accrued expenses, respectively, in the accompanying condensed consolidated balance sheets.

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Other

The Company makes advances to non-executive employees from time-to-time. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the aggregate principal amount for employee notes receivable was **\$90,000** **\$74,000** and \$6,000, respectively, which is included in other assets in the accompanying condensed consolidated balance sheets. See Note 5 - "Selected Balance Sheet Data".

As of **June 30, 2023** **September 30, 2023**, George M. Marcus, the Company's founder and Chairman, beneficially owned approximately 39% of the Company's issued and outstanding common stock, including shares owned by Phoenix Investments Holdings, LLC and the Marcus Family Foundation II.

7. Fair Value Measurements

U.S. GAAP defines the fair value of a financial instrument as the amount that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company is responsible for the determination of fair value and the supporting methodologies and assumptions. The Company uses various pricing sources and third parties to provide and validate the values utilized.

The degree of judgment used in measuring the fair value of financial instruments is generally inversely correlated with the level of observable valuation inputs. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

Assets recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of the three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

- *Level 1:* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- *Level 2:* Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or
- *Level 3:* Unobservable inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Management estimates include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

The Company values its investments including commercial paper and floating net asset value money market funds recorded in cash, cash equivalents, and restricted cash, investments in marketable debt securities, available-for-sale, assets held in the rabbi trust, deferred compensation liability and contingent and deferred consideration at fair value on a recurring basis.

Fair values for investments included in cash, cash equivalents, and restricted cash and marketable debt securities, available-for-sale were determined for each individual security in the investment portfolio and all securities are Level 1 or 2 measurements as appropriate.

Fair values for assets held in the rabbi trust and related deferred compensation liability were determined based on the cash surrender value of the Company-owned variable life insurance policies and underlying investments in the trust, and are Level 2 and Level 1 measurements, respectively.

Contingent consideration in connection with acquisitions, is carried at fair value and determined on a contract-by-contract basis, calculated using unobservable inputs based on a probability of achieving EBITDA and other performance requirements, and is a Level 3 measurement. Deferred consideration in connection with acquisitions is carried at fair value

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and calculated using a discounted cash flow estimate with the only remaining condition on such payments being the passage of time, and is a Level 2 measurement.

Assets and liabilities carried at fair value on a recurring basis consisted of the following (in thousands):

Assets:	Assets:	June 30, 2023				December 31, 2022				September 30, 2023				Dece	
		Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Lev
Assets:	Assets:									Assets:					

Assets held in rabbi trust	Assets held in rabbi trust	\$ 10,365 \$ — \$ 10,365 \$ — \$ 9,553 \$ — \$ 9,553 \$ —	Assets held in rabbi trust	\$ 10,065 \$ — \$ 10,065 \$ — \$ 9,553 \$ —
Cash equivalents ⁽¹⁾ :	Cash equivalents ⁽¹⁾ :		Cash equivalents ⁽¹⁾ :	
Commercial paper	Commercial paper	\$ 50,191 \$ — \$ 50,191 \$ — \$ 41,324 \$ — \$ 41,324 \$ —	Commercial paper	\$ 20,022 \$ — \$ 20,022 \$ — \$ 41,324 \$ —
Money market funds	Money market funds	81,411 81,411 — — 139,025 139,025 — —	Money market funds	122,510 122,510 — — 139,025 139
		\$131,602 \$81,411 \$50,191 \$ — \$180,349 \$139,025 \$ 41,324 \$ —		\$142,532 \$122,510 \$20,022 \$ — \$180,349 \$139
Marketable debt securities, available-for-sale:	Marketable debt securities, available-for-sale:		Marketable debt securities, available-for-sale:	
Short-term investments:	Short-term investments:		Short-term investments:	
U.S. treasuries	U.S. treasuries	\$ 65,495 \$65,495 \$ — \$ — \$134,549 \$134,549 \$ — \$ —	U.S. treasuries	\$ 52,254 \$ 52,254 \$ — \$ — \$134,549 \$134
Corporate debt	Corporate debt	99,361 — 99,361 — 118,041 — 118,041 —	Corporate debt	64,459 — 64,459 — 118,041
ABS and other	ABS and other	— — — — 844 — 844 —	ABS and other	— — — — 844
		\$164,856 \$65,495 \$99,361 \$ — \$253,434 \$134,549 \$118,885 \$ —		\$116,713 \$ 52,254 \$64,459 \$ — \$253,434 \$134
Long-term investments:	Long-term investments:		Long-term investments:	
U.S. treasuries	U.S. treasuries	\$ 17,409 \$17,409 \$ — \$ — \$ 20,715 \$ 20,715 \$ — \$ —	U.S. treasuries	\$ 17,501 \$ 17,501 \$ — \$ — \$ 20,715 \$ 20
U.S. government sponsored entities	U.S. government sponsored entities	510 — 510 — 536 — 536 —	U.S. government sponsored entities	474 — 474 — 536
Corporate debt	Corporate debt	42,250 — 42,250 — 41,358 — 41,358 —	Corporate debt	41,107 — 41,107 — 41,358
ABS and other	ABS and other	10,542 — 10,542 — 5,986 — 5,986 —	ABS and other	11,428 — 11,428 — 5,986
		\$ 70,711 \$17,409 \$53,302 \$ — \$ 68,595 \$ 20,715 \$ 47,880 \$ —		\$ 70,510 \$ 17,501 \$53,009 \$ — \$ 68,595 \$ 20
Liabilities:	Liabilities:		Liabilities:	
Contingent consideration	Contingent consideration	\$ 6,518 \$ — \$ — \$ 6,518 \$ 7,067 \$ — \$ — \$ 7,067	Contingent consideration	\$ 5,805 \$ — \$ — \$ 5,805 \$ 7,067 \$
Deferred consideration	Deferred consideration	\$ 2,018 \$ — \$ 2,018 \$ — \$ 5,119 \$ — \$ 5,119 \$ —	Deferred consideration	\$ 1,562 \$ — \$ 1,562 \$ — \$ 5,119 \$
Deferred compensation liability	Deferred compensation liability	\$ 8,086 \$ 8,086 \$ — \$ — \$ 6,661 \$ 6,661 \$ — \$ —	Deferred compensation liability	\$ 7,779 \$ 7,779 \$ — \$ — \$ 6,661 \$ 6

⁽¹⁾ Included in cash, cash equivalents, and restricted cash on the accompanying condensed consolidated balance sheets.

There were no transfers in or out of Level 3 during the six nine months ended June 30, 2023 September 30, 2023 and 2022.

During the six nine months ended June 30, 2023 September 30, 2023, the Company considered current and future interest rates and the probability of achieving EBITDA and other performance targets in its determination of fair value for the contingent consideration. The Company is uncertain as to the extent of the volatility in the unobservable inputs in the foreseeable future. Deferred consideration in connection with acquisitions is carried at fair value and calculated using a discounted cash flow estimate with the only remaining condition on such payments being the passage of time.

As of June 30, 2023 September 30, 2023 and December 31, 2022, contingent and deferred consideration had a maximum undiscounted payment to be settled in cash or stock of \$17.3 million \$16.8 million and \$21.3 million, respectively. Assuming the achievement of the applicable performance criteria and/or service and time requirements, the Company anticipates these payments will be made over the next one to four-year period. Changes in fair value are included in selling, general and administrative expense in the condensed consolidated statements of operations.

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A reconciliation of contingent consideration measured at fair value on a recurring basis consisted of the following (in thousands):

		Six Months Ended June 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022	
		Beginning balance	Beginning balance	\$ 7,067	\$ 9,312	Beginning balance	\$ 7,067	\$ 9,312	
Beginning balance	Beginning balance								
Contingent consideration in connection with acquisitions		—		—					
Change in fair value of contingent consideration ⁽¹⁾	Change in fair value of contingent consideration ⁽¹⁾	511		(493)		Change in fair value of contingent consideration ⁽¹⁾	(202)		(248)
Payments of contingent consideration	Payments of contingent consideration	(1,060)		(1,040)		Payments of contingent consideration	(1,060)		(1,040)
Ending balance	Ending balance	<u>\$ 6,518</u>		<u>\$ 7,779</u>		Ending balance	<u>\$ 5,805</u>		<u>\$ 8,024</u>

⁽¹⁾ Includes immaterial impact of foreign currency translation.

Quantitative information about the valuation technique and significant unobservable inputs used in the valuation of the Company's Level 3 financial liabilities measured at fair value on a recurring basis consisted of the following (dollars in thousands):

	Fair Value at		Valuation Technique	Unobservable inputs	Range (Weighted Average) ⁽¹⁾	
	June	September 30, 2023				
Contingent consideration	\$ 6,518	5,805	Discounted cash flow	Expected life of cash flows Discount rate Probability of achievement	0.1-4.3 1-4.09 years 6.2% 6.6%-7.3% 0.0% 10.8%-100.0%	(2.2) (1.67 years) (6.8%) (7.2%) (94.8%) (96.2%)
	Fair Value at		Valuation Technique	Unobservable inputs	Range (Weighted Average) ⁽¹⁾	
	December 31, 2022					
	\$ 7,067		Discounted cash flow	Expected life of cash flows Discount rate Probability of achievement	0.4-4.8 years 6.0%-7.0% 0.0%-100.0%	(2.7) years (6.5%) (95.4%)

⁽¹⁾ Unobservable inputs were weighted by the relative fair value of the instruments.

Nonrecurring Fair Value Measurements

In accordance with U.S. GAAP, from time to time, the Company measures certain assets at fair value on a nonrecurring basis. The Company reviews the carrying value of intangibles, goodwill and other assets for indications of impairment at least annually. When indications of potential impairment are identified, the Company may be required to determine the fair value of those assets and record an adjustment for the carrying amount in excess of the fair value determined. Any fair value determination would be based on valuation approaches, which are appropriate under the circumstances and utilize Level 2 and Level 3 measurements as required.

8. Stockholders' Equity

Common Stock

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, there were **38,460,595** **38,546,059** and 39,255,838 shares of common stock, \$0.0001 par value, issued and outstanding, which included unvested restricted stock awards ("RSAs") issued to non-employee directors, respectively. See Note 11 – "(Loss) Earnings per Share" for additional information.

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, payable on October 6, 2023, to stockholders of record at the close of business on September 15, 2023.

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On February 9, 2023, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, with a payment date of April 6, 2023, to stockholders of record at the close of business on March 14, 2023.

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, with a payment date of October 6, 2023, to stockholders of record at the close of business on September 15, 2023.

As of **June 30, 2023** **September 30, 2023**, \$2.2 million the dividend payable was \$12.1 million, of which \$9.6 million was paid on October 6, 2023, and \$2.5 million of dividend equivalents related to unvested stock awards are remains to be paid upon vesting of stock awards. The \$12.1 million payable is recorded in other liabilities in the condensed consolidated balance sheets. See Note 5 – “Selected Balance Sheet Data.”

Preferred Stock

The Company has 25,000,000 authorized shares of preferred stock with a par value \$0.0001 per share. At **June 30, 2023** **September 30, 2023** and December 31, 2022, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive (Loss) Income

Amounts reclassified from accumulated other comprehensive (loss) income are included as a component of other income, (expense), net or selling, general and administrative expense, as applicable, in the condensed consolidated statements of operations. The reclassifications were determined on a specific identification basis.

The Company has not provided for U.S. taxes on unremitted earnings of its foreign subsidiary as it is operating at a loss and has no earnings and profits to remit. As a result, deferred taxes were not provided related to the cumulative foreign currency translation adjustments.

Repurchases of Common Stock

On August 2, 2022, the Company's Board of Directors authorized a common stock repurchase program of up to \$70 million. On May 2, 2023, the Company's Board of Directors approved an additional \$70 million to repurchase common stock under its stock repurchase program. During the **six** three months ended **June 30, 2023** **September 30, 2023**, the Company did not purchase any shares of common stock under the repurchase program. During the nine months ended September 30, 2023, the Company repurchased and retired 1,098,561 shares of common stock for \$34.4 million, at an average cost of \$31.28 per share. As of **June 30, 2023** **September 30, 2023**, \$76.0 million remained authorized for repurchases under the stock repurchase program.

9. Stock-Based Compensation Plans

2013 Omnibus Equity Incentive Plan

The Company's Board of Directors adopted the 2013 Omnibus Equity Incentive Plan (the “2013 Plan”), which became effective upon the Company’s IPO, on October 7, 2013. In February 2017, the Board of Directors amended and restated the 2013 Plan, which was approved by the Company’s stockholders in May 2017. Grants are made from time to time by the compensation committee of the Company’s Board of Directors at its discretion, subject to certain restrictions as to the number and value of shares that may be granted to any individual. In addition, non-employee directors receive annual grants under a director compensation policy. The compensation committee of the Company’s Board of Directors has the option to grant dividend equivalents to unvested grants. Any dividend equivalents granted to unvested awards are paid to the participant at the time the related grants vest. As of **June 30, 2023** **September 30, 2023**, there were 3,401,886 3,368,324 shares available for future grants under the 2013 Plan.

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, with a payment date of October 6, 2023, to stockholders of record at the close of business on September 15, 2023. The Compensation Committee granted dividend equivalents to all unvested grants as of the record date.

As of **June 30, 2023** **September 30, 2023**, \$2.2 million \$2.5 million of dividend equivalents remains to be paid upon vesting of stock awards, awards, of which \$1.7 million is classified as non-current. See Note 5 - “Selected Balance Sheet Data” for additional information.

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On October 6, 2023, the Board of Directors amended the 2013 Plan, subject to and contingent upon the approval of stockholders of the Company at the 2024 Annual Meeting of Stockholders, to eliminate the term of the 2013 Plan such that the 2013 Plan shall continue in effect until it is terminated by the Compensation Committee.

Awards Granted and Settled

Under the 2013 Plan, the Company has issued RSAs to non-employee directors and restricted stock units (“RSUs”) to employees and independent contractors. RSAs vest over a one-year period from the date of grant, subject to service requirements. RSUs generally vest in equal annual installments over a five-year period from the date of grant or earlier as approved by the compensation committee of the Company’s Board of Directors. Dividend equivalents granted for unvested stock awards are paid at the time the stock awards vest. Any unvested awards and dividend equivalents are canceled upon termination as a service provider. As of **June 30, 2023** **September 30, 2023**, there were no issued or outstanding options, SARs, performance units or performance share awards under the 2013 Plan.

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During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, **349,290** **444,962** shares of RSUs and RSAs vested, with **125,319** **135,527** shares of common stock withheld to pay applicable required employee statutory withholding taxes based on the market value of the shares on the vesting date. The shares withheld for taxes were returned to the share reserve and are available for future issuance in accordance with provisions of the 2013 Plan. Unvested RSUs will be settled through the issuance of new shares of common stock.

Outstanding Awards

Activity under the 2013 Plan consisted of the following (dollars in thousands, except weighted average per share data):

		Weighted-Average Grant Date Fair Value				Weighted-Average Grant Date Fair Value	
		Shares	Per Share	Shares		Shares	Per Share
Nonvested shares at December 31, 2022 ⁽¹⁾	Nonvested shares at December 31, 2022 ⁽¹⁾	1,741,461	\$ 42.14	Nonvested shares at December 31, 2022 ⁽¹⁾	1,741,461	\$ 42.14	
Granted	Granted	556,260	34.09	Granted	600,138	34.30	
Vested	Vested	(349,290)	42.10	Vested	(444,962)	41.04	
Forfeited/canceled	Forfeited/canceled	(10,347)	40.90	Forfeited/canceled	(10,455)	40.86	
Nonvested shares at June 30, 2023 ⁽¹⁾		<u>1,938,084</u>	\$ 39.85				
Nonvested shares at September 30, 2023 ⁽¹⁾				Nonvested shares at September 30, 2023 ⁽¹⁾	<u>1,886,182</u>	\$ 39.92	

⁽¹⁾ Nonvested RSUs will be settled through the issuance of new shares of common stock.

As of **June 30, 2023** **September 30, 2023**, the Company had unrecognized stock-based compensation relating to RSUs and RSAs of approximately **\$68.2 million** **\$64.5 million**, which is expected to be recognized over a weighted-average period of **3.69** **3.52** years.

Employee Stock Purchase Plan

In 2013, the Company adopted the 2013 Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to qualify under Section 423 of the Internal Revenue Code and provides for consecutive, non-overlapping six-month offering periods. The offering periods generally start on the first trading day on or after May 15 and November 15 of each year. Qualifying employees may purchase shares of the Company stock at a 10% discount based on the lower of the market price at the beginning or end of the offering period, subject to IRS limitations. The Company determined that the ESPP was a compensatory plan and is required to expense the fair value of the awards over each six-month offering period.

The ESPP initially had 366,667 shares of common stock reserved, and 121,615 shares of common stock remain available for issuance as of **June 30, 2023** **September 30, 2023**. The ESPP provides for annual increases in the number of shares available for issuance under the ESPP, equal to the lesser of (i) 366,667 shares, (ii) 1% of the outstanding shares on such date, or (iii) an amount determined by the compensation committee of the Board of Directors. Pursuant to the provisions of the ESPP, the Board of Directors has determined to not provide for any annual increases to date. As of **June 30, 2023** **September 30, 2023**, total unrecognized compensation cost related to the ESPP was **\$65,000** **\$21,000** and is expected to be recognized over a weighted average period of **0.38** **0.12** years.

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On October 6, 2023, the Board of Directors amended the ESPP to (i) eliminate the evergreen provision set forth in the ESPP such that the maximum number of shares of common stock of the Company made available for sale under the ESPP shall not automatically increase on the first day of each fiscal year of the Company and (ii) subject to and contingent upon the approval of the stockholders of the Company at the 2024 Annual Meeting of Stockholders, eliminate the term of the ESPP such that the ESPP shall continue in effect until the ESPP is terminated by the Board of Directors or the Compensation Committee.

SARs and DSUs

Prior to the IPO, certain employees were granted SARs. As of March 31, 2013, the outstanding SARs were frozen at the liability amount, and will be paid out to each participant in installments upon retirement or departure under the terms of the revised SARs agreements. To replace beneficial ownership in the SARs, the difference between the book value liability and the fair value of the awards was granted to plan participants in the form of deferred stock units ("DSUs"), which were fully vested upon receipt and will be settled in actual stock at a rate of 20% per year if the participant remains employed by the Company during that period (otherwise all unsettled shares of stock upon termination from service will be settled five years from the termination date, unless otherwise agreed to by the Company). In the event of death or termination of service after reaching the age of 67, 100% of the DSUs will be settled. As of December 31, 2022, all DSUs were settled.

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Summary of Stock-Based Compensation

Components of stock-based compensation are included in selling, general and administrative expense in the condensed consolidated statements of operations and consisted of the following (in thousands):

		Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
		June 30,		June 30,		September 30,		September 30,		June 30,		September 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
ESPP	ESPP	\$ 28	\$ 29	\$ 83	\$ 85	ESPP	\$ 43	\$ 66	\$ 126	\$ 151							
RSUs and RSAs	RSUs and RSAs	5,323	4,246	10,279	8,046	RSUs and RSAs	5,403	4,478	15,682	12,524							
		\$ 5,351	\$ 4,275	\$ 10,362	\$ 8,131		\$ 5,446	\$ 4,544	\$ 15,808	\$ 12,675							

10. Income Taxes

The Company's effective tax rate for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** was **(45.5)%** **17.8%** and **16.6%** **17.1%**, respectively, compared to **24.9%** **31.7%** and **25.5%** **27.0%** for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, respectively. The Company provides for the effects of income taxes in interim financial statements based on the Company's estimate of its annual effective tax rate for the full year, which is based on forecasted income by jurisdiction where the Company operates, adjusted for any tax effects of items that relate discretely to the period, if any.

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The provision for income taxes differs from the amount computed by applying the U.S. federal statutory rate to income before provision for income taxes and consisted of the following (dollars in thousands):

		Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022		2023		2022		2023		2022	
		Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax (benefit) expense at the federal statutory rate	Income tax (benefit) expense at the federal statutory rate	\$ (1,260)	21.0 %	\$ 11,786	21.0 %	\$ (3,668)	21.0 %	\$ 21,139	21.0 %	statutory rate		\$ (2,363)	21.0 %	\$ 6,573	21.0 %	\$ (6,031)	21.0 %
State income tax expense (benefit), net of federal benefit		315	(5.3) %	2,389	4.3 %	(424)	2.4 %	4,422	4.4 %								
(Windfall) shortfall tax benefits, net related to stock-based compensation		119	(2.0) %	(1,758)	(3.1) %	773	(4.4) %	(2,064)	(2.1) %								
State income tax (benefit) expense, net of federal benefit										State income tax (benefit) expense, net of federal benefit		(358)	3.2 %	1,707	5.5 %	(782)	2.7 %

Shortfall (windfall) tax benefits, net related to stock-based compensation		Shortfall (windfall) tax benefits, net related to stock-based compensation	23	(0.2)%	(54)	(0.2)%	796	(2.8)%	(2,118)	(1.6)%							
Change in valuation allowance	Change in valuation allowance	17	(0.3)%	23	0.0 %	244	(1.4)%	(81)	(0.1)%	Change in valuation allowance							
Permanent and other items ⁽¹⁾	Permanent and other items ⁽¹⁾	3,537	(58.9)%	1,515	2.7 %	170	(1.0)%	2,296	2.3 %	Permanent and other items ⁽¹⁾							
		\$ 2,728	(45.5)%	\$13,955	24.9 %	\$ (2,905)	16.6 %	\$25,712	25.5 %	\$ (2,010)	17.8 %	\$9,939	31.7 %	\$ (4,915)	17.1 %	\$35,651	27.0 %

⁽¹⁾ Permanent items relate principally to compensation charges, qualified transportation fringe benefits, meals and entertainment, and other items principally related to the effect of providing taxes in the interim financial statements based on the estimated full year effective tax rate.

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11. (Loss) Earnings per Share

Basic and diluted (loss) earnings per share for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively consisted of the following (in thousands, except per share data):

	Numerator (Basic and Diluted):	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
		June 30,		June 30,		September 30,		September 30,		September 30,		September 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Numerator (Basic and Diluted):	Numerator (Basic and Diluted):																
Net (loss) income	Net (loss) income	\$ (8,729)	\$ 42,168	\$ (14,562)	\$ 74,951												
Change in value for stock settled consideration ⁽³⁾	Change in value for stock settled consideration ⁽³⁾	13	(24)	37	(38)												
Adjusted net (loss) income	Adjusted net (loss) income	\$ (8,716)	\$ 42,144	\$ (14,525)	\$ 74,913												
Denominator:	Denominator:																
<i>Basic</i>	<i>Basic</i>																
Weighted average common shares issued and outstanding	Weighted average common shares issued and outstanding	38,553	39,936	38,880	39,829												
Deduct: Unvested RSAs ⁽¹⁾	Deduct: Unvested RSAs ⁽¹⁾	(15)	(12)	(13)	(13)												
Add: Fully vested DSUs	Add: Fully vested DSUs	(2)	—	124	—	202											
Weighted average common shares outstanding	Weighted average common shares outstanding	38,538	40,048	38,867	40,018												
Basic (loss) earnings per common share	Basic (loss) earnings per common share	\$ (0.23)	\$ 1.05	\$ (0.37)	\$ 1.87												
<i>Diluted</i>	<i>Diluted</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Weighted average common shares outstanding from above	Weighted average common shares outstanding from above	38,538	40,048	38,867	40,018	Weighted average common shares outstanding from above	38,492	40,086	38,740	40,038
Add: Dilutive effect of RSUs, RSAs & ESPP ⁽⁵⁾	Add: Dilutive effect of RSUs, RSAs & ESPP ⁽⁵⁾	—	213	—	291	Add: Dilutive effect of RSUs, RSAs & ESPP ⁽⁵⁾	—	131	—	235
Add: Contingently issuable shares ⁽³⁾⁽⁵⁾	Add: Contingently issuable shares ⁽³⁾⁽⁵⁾	—	81	—	81	Add: Contingently issuable shares ⁽³⁾⁽⁵⁾	—	85	—	85
Weighted average common shares outstanding	Weighted average common shares outstanding	38,538	40,342	38,867	40,390	Weighted average common shares outstanding	38,492	40,302	38,740	40,358
Diluted (loss) earnings per common share	Diluted (loss) earnings per common share	\$ (0.23)	\$ 1.04	\$ (0.37)	\$ 1.85	Diluted (loss) earnings per common share	\$ (0.24)	\$ 0.53	\$ (0.61)	\$ 2.39
Antidilutive shares excluded from diluted earnings per common share ⁽⁴⁾	Antidilutive shares excluded from diluted earnings per common share ⁽⁴⁾	1,887	843	1,781	843	Antidilutive shares excluded from diluted earnings per common share ⁽⁴⁾	1,069	1,046	1,754	1,041

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(1) RSAs were issued and outstanding to the non-employee directors and have a one-year vesting term subject to service requirements. See Note 9 – “Stock-Based Compensation Plans” for additional information.

(2) Shares are included in weighted average common shares outstanding as the shares are fully vested but have not yet been delivered. See Note 9 – “Stock-Based Compensation Plans” for additional information.

(3) Relates to contingently issuable stock settled consideration.

(4) Primarily pertaining to RSU grants to the Company’s employees and independent contractors.

(5) Shares related to the Company’s RSUs, RSAs, ESPP, and contingently issuable shares were excluded from the weighted average common shares outstanding for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** because inclusion of such shares would be antidilutive in a period of loss.

12. Commitments and Contingencies

Credit Agreement

On June 18, 2014, the Company entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association (the “Credit Agreement” “Bank”). On May 31, 2022, the Company executed an amended and restated Credit Agreement (the “First Amended and Restated Credit Agreement”) to extend the maturity date of the Credit Agreement on to August 1, 2022, and which included substantially the same terms and conditions as the original credit facility. The First Amended and Restated Credit Agreement provided for a \$60.0 million principal amount senior secured revolving credit facility that was guaranteed by all of the Company’s domestic subsidiaries (the “Credit Facility”), which was scheduled to mature on August 1, 2022. On July 28, 2022, the Company entered into the Second Amended and Restated Credit Agreement which provides for a three-year extension to adjust the maturity date of its Credit Facility Agreement to June 1, 2025, with Wells Fargo Bank, National Association on principally the same terms and conditions as the extension signed in May 2022. The new agreement matures on June 1, 2025. On September 25, 2023, the Company executed the First Amendment to the Second Amended and Restated Credit Agreement which provides for a \$10 million line of credit and a maturity date of June 1, 2024 (“Credit Facility”).

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The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. Borrowings under the Credit Facility are available for general corporate purposes and working capital. The Credit Facility includes a \$10.0 million \$3.0 million sublimit for the issuance of standby letters of credit of which \$533,000 \$1,050,000 was utilized at **June 30, 2023** **September 30, 2023**. Borrowings under the Credit Facility will bear interest at the Daily Simple SOFR rate plus a spread of between 1.00% to 1.25% depending on the Company’s total funded debt to EBITDA as defined in the Credit Agreement. 175 basis points. In connection with the amendments to the Credit Agreement, the Company paid bank fees and other expenses, which are being amortized over the remaining term of the Credit Agreement. The Company pays a commitment fee of up to 0.1% 0.5% per annum, payable quarterly, based on the amount of unutilized commitments under the Credit Facility. The amortization and commitment fee fees are included in the interest expense in the accompanying condensed consolidated statements of operations

and was \$26,000 were \$50,000 and \$22,000 \$94,000 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$51,000 \$101,000 and \$47,000 \$141,000 during the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. As of June 30, 2023 September 30, 2023, there were no amounts outstanding under the Credit Agreement.

The Credit Facility contains customary covenants, including financial and other covenant covenants, financial reporting requirements and events of default. Financial covenants require the Company, on a combined basis with its guarantors, to maintain (i) total liquidity including cash and cash equivalents and marketable securities, held for sale of \$100 million and an EBITDAR Coverage Ratio (as defined in average daily cash balance of \$35 million with the Credit Agreement) of not less than 1.25:1.0 Bank, on a combined basis with all the guarantors, calculated as of each quarter the end determined on a rolling four-quarter basis, and (ii) total funded debt to EBITDA not greater than 2.0:1.0 as of each quarter end, determined on a rolling four-quarter basis, and also limits investments in foreign entities and certain other loans, the month. The Credit Facility is secured by substantially all assets of the Company, including pledges of 100% of the stock or other equity interest of each subsidiary except for the capital stock of a controlled foreign corporation (as defined in the Internal Revenue Code), in which case no such pledge is required. As of June 30, 2023 September 30, 2023, the Company was in compliance with all financial and non-financial covenants and has not experienced any limitation in its operations as a result of the covenants. Our ability to borrow under our Credit Facility is limited by our ability to comply with its covenants or obtain necessary waivers.

Strategic Alliance

The Company, in connection with the Strategic Alliance with MTRCC, has agreed to provide loan opportunities that may be funded through MTRCC's DUS agreement with Fannie Mae. MTRCC's agreement with Fannie Mae requires MTRCC to guarantee a portion of each funded loan. On a loan-by-loan basis, the Company, at its option, can indemnify a portion of MTRCC's guarantee obligation of loan opportunities presented to and closed by MTRCC. As of June 30, 2023 September 30, 2023, the Company has agreed to a maximum aggregate guarantee obligation of \$114.7 million \$138.5 million relating to loans with an unpaid balance of \$688.1 million \$831.2 million. The Company would be liable for its maximum aggregate guarantee obligation only if all of the loans for which it is providing a guarantee to MTRCC were to default and all of the collateral underlying these loans

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were determined to be without value at the time of settlement. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company has recorded an allowance for loss-sharing obligations of \$656,000 \$778,000 and \$275,000, respectively, and pledged \$102,000 \$180,000 and \$16,000, respectively, in a restricted bank account in support of the guarantee obligation.

Other

In connection with certain agreements with investment sales and financing professionals, the Company may agree to advance amounts to such professionals upon reaching certain time and performance goals. Such commitments as of June 30, 2023 September 30, 2023 aggregated \$10.0 million \$15.2 million.

13. Subsequent Events

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, or \$10.1 million, payable on October 6, 2023, to stockholders of record at the close of business on September 15, 2023, of which \$9.6 million was paid on October 6, 2023.

Between September 30, 2023 and October 31, 2023, the Company repurchased an additional 161,490 shares of common stock for \$4.5 million pursuant to the stock repurchase program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context requires otherwise, the words "Marcus & Millichap," "MMI," "we," the "Company," "us" and "our" refer to Marcus & Millichap, Inc., and its consolidated subsidiaries.

Forward-Looking Statements

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to further expectations for future interest rate changes, rising rates, inflation, and geopolitical unrest. The results of operations for the six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Form 10-Q and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 28, 2023, including the "Risk Factors" section and the consolidated financial statements and notes included therein.

Overview

We are a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. We have been the top commercial real estate investment broker in the United States based on the number of investment transactions for more than 16 years. As of June 30, 2023 September 30, 2023, we had 1,865 1,820 investment sales and financing professionals that are primarily exclusive independent contractors operating in more than 80 offices, who provide real estate brokerage and financing services to sellers and buyers of commercial real estate assets. During the three and six nine months ended June 30, 2023 September 30, 2023, we closed 1,946 1,846

and **3,753** investment sales, financing and other transactions with total sales volume of approximately **\$9.7 billion** **\$11.4 billion** and **\$20.2 billion** **\$31.7 billion**, respectively. During the year ended December 31, 2022, we closed 12,272 investment sales, financing and other transactions with total sales volume of approximately **\$86.3 billion**.

We generate revenue by collecting real estate brokerage commissions upon the sale, and fees upon the financing, of commercial properties, and by providing equity advisory services, loan sales, loan guarantees and consulting and advisory services. Real estate brokerage commissions are typically based upon the value of the property and financing fees are typically based upon the size of the loan. During the three months ended **June 30, 2023** **September 30, 2023**, approximately 86% of our revenue was generated from real estate brokerage commissions, 11% from financing fees and 3% from other real estate related services.

We divide commercial real estate into four major market segments, markets, characterized by price:

- Properties priced less than \$1 million;
- Private client market: properties priced from \$1 million to up to but less than \$10 million;
- Middle market: properties priced from \$10 million to up to but less than \$20 million; and
- Larger transaction market: properties priced from \$20 million and above.

We are the industry leader in serving private clients in the \$1-\$10 million private client market, segment, which contributed approximately 69% 65% and 59% 57% of our real estate brokerage commissions during the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and approximately 68% 67% and 58% 57% of our real estate brokerage commissions during the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The following tables set forth the number of transactions, sales volume and revenue by each commercial real estate market segment for real estate brokerage:

Three Months Ended June 30,												Three Months Ended September 30,															
Real Estate Brokerage		Real Estate Brokerage		2023						2022						Change		Real Estate Brokerage		2023							
				Number	Volume	Revenue	Number	Volume	Revenue	Number	Volume	Revenue	(in millions)	(in thousands)	(in millions)	(in thousands)	(in millions)	(in thousands)	Number	Volume	Revenue	Number	Volume	Revenue			
<\$1 million	<\$1 million	209	\$ 120	\$ 4,665	279	\$ 168	\$ 6,672	(70)	\$ (48)	\$ (2,007)	208	\$ 122	\$ 5,511	(in millions)	(in thousands)	(in millions)	(in thousands)	243	\$ 154	\$ 7,252	(35)	208	\$ 122	\$ 5,511	243	\$ 154	\$ 7,252
Private Client	Private Client													Private Client													
Market (\$1 - <\$10 million)	Market (\$1 - <\$10 million)	1,070	3,571	96,238	2,021	7,348	209,868	(951)	(3,777)	(113,630)	1,014	3,344	91,466	1,658	5,885	165,534	(64)	Market (\$1 - <\$10 million)	Market (\$1 - <\$10 million)	1,014	3,344	91,466	1,658	5,885	165,534	(64)	
Middle Market (\$10 - <\$20 million)	Middle Market (\$10 - <\$20 million)	77	1,021	17,425	209	2,819	56,456	(132)	(1,798)	(39,031)	75	1,002	18,647	188	2,527	46,901	(113)	Middle Market (\$10 - <\$20 million)	Middle Market (\$10 - <\$20 million)	75	1,002	18,647	188	2,527	46,901	(113)	
Larger Transaction	Larger Transaction													Larger Transaction													
Market (≥\$20 million)	Market (≥\$20 million)	66	2,830	22,002	176	9,533	81,689	(110)	(6,703)	(59,687)	64	2,965	24,193	157	9,360	73,202	(93)	Market (≥\$20 million)	Market (≥\$20 million)	64	2,965	24,193	157	9,360	73,202	(93)	
		1,422	\$ 7,542	\$ 140,330	2,685	\$ 19,868	\$ 354,685	(1,263)	(\$12,326)	\$ (214,355)	1,361	\$ 7,433	\$ 139,817	2,246	\$ 17,926	\$ 292,889	(885)			1,361	\$ 7,433	\$ 139,817	2,246	\$ 17,926	\$ 292,889	(885)	
Six Months Ended June 30,												Nine Months Ended September 30,															
Real Estate Brokerage		Real Estate Brokerage		2023						2022						Change		Real Estate Brokerage		2023							
				Number	Volume	Revenue	Number	Volume	Revenue	Number	Volume	Revenue	(in millions)	(in thousands)	(in millions)	(in thousands)	(in millions)	(in thousands)	Number	Volume	Revenue	Number	Volume	Revenue			
<\$1 million	<\$1 million	392	\$ 236	\$ 9,703	485	\$ 296	\$ 12,459	(93)	\$ (60)	\$ (2,756)	<\$1 million	600	\$ 358	\$ 15,214	728	\$ 450	\$ 19,711	(128)	<\$1 million	<\$1 million	600	\$ 358	\$ 15,214	728	\$ 450	\$ 19,711	(128)
Private Client	Private Client													Private Client													
Market (\$1 - <\$10 million)	Market (\$1 - <\$10 million)	2,040	6,825	186,741	3,627	13,044	370,899	(1,587)	(6,219)	(184,158)	Market (\$1 - <\$10 million)	3,054	10,169	278,207	5,285	18,929	536,433	(2,231)	Market (\$1 - <\$10 million)	Market (\$1 - <\$10 million)	3,054	10,169	278,207	5,285	18,929	536,433	(2,231)
Middle Market (\$10 - <\$20 million)	Middle Market (\$10 - <\$20 million)	143	1,921	34,793	393	5,322	103,216	(250)	(3,401)	(68,423)	Middle Market (\$10 - <\$20 million)	218	2,923	53,440	581	7,849	150,117	(363)	Middle Market (\$10 - <\$20 million)	Middle Market (\$10 - <\$20 million)	218	2,923	53,440	581	7,849	150,117	(363)

Larger Transaction Market (≥\$20 million)	Larger Transaction Market (≥\$20 million)	Larger Transaction Market (≥\$20 million)								Larger Transaction Market (≥\$20 million)	
		126	5,692	44,139	317	18,411	155,020	(191)	(12,719)	(110,881)	
		2,701	\$14,674	\$ 275,376	4,822	\$37,073	\$ 641,594	(2,121)	\$ (22,399)	\$ (366,218)	190
											4,062
											\$22,107
											\$ 415,193
											7,068
											\$54,999
											\$ 934,483
											(3,006)

Factors Affecting Our Business

Our business and our operating results, financial condition and liquidity are significantly affected by the number and size of commercial real estate investment sales and financing transactions that we close in any period. The number and size of these transactions are affected by our ability to recruit and retain investment sales and financing professionals, identify and contract properties for sale, and identify those that need financing and refinancing. We principally monitor the commercial real estate market through four factors, which generally drive our business. The factors are the economy, commercial real estate supply and demand, capital markets, and investor sentiment and investment activity.

The Economy

Our business is dependent on economic conditions within the markets in which we operate. Changes in the economy on a global, national, regional or local basis can have a positive or negative impact on our business. Economic indicators and projections related to job growth, unemployment, interest rates, retail spending and consumer confidence trends can have a positive or negative impact on our business. Overall market conditions, including global trade, interest rate changes, inflation, and job creation, and global events can affect investor sentiment and, ultimately, the demand for our services from investors in real estate.

Economic Significant uncertainty continues to weigh on in the investor perspective. Although numerous key economic indicators such as job creation, outlook caused by government, geopolitical and financial market forces may impact the unemployment rate likelihood of an economic "soft landing". The ousting of the Speaker of the House in October 2023 and GDP growth remain positive delay in selecting a replacement has raised the risk of a government shutdown occurring in November 2023. A government shutdown may spur economic fallout and most economists are now predicting a soft landing, recession risk remains a concern among investors. Inflation has eased, with downgrade of the headline Consumer Price Index (CPI) falling to 3.0% and U.S. credit rating. In addition, labor union strikes could become increasingly disruptive for the forward looking Producer Price Index (PPI) falling to just 0.1%, but many measurements including U.S. economy. Escalating military conflict in the core Personal Consumption Expenditures Index (core PCE), which is monitored most closely by the Federal Reserve, still remain well above their target of 2.0%. Following the Federal Reserve's 25 basis points increase in July 2023, we believe the combination of slowing job creation, reduced wage pressure, easing inflation, tighter credit markets and more modest economic growth Middle East has the potential to curtail further Federal Reserve rate increases. draw additional nations into a regional conflagration with serious global economic implications. These risk factors, together with rising long-term treasury and mortgage rates, could derail the soft landing scenario forecast by many economists.

Various Despite the risks presented by these events, several economic indicators drivers continue to send mixed signals about support a soft landing scenario. Job creation has been durable, with the near-term economic outlook. The two best-known indicators addition of an ensuing recession remain in contradiction. The treasury rate yield curve inverted early average of 266,000 jobs per month in the fourth third quarter last year, and short-term treasury rates remain higher than longer-term rates, signaling a possible downturn ahead of 2023. The

However, the 3.6% unemployment rate has moved little, remaining near its 54-year low as been range-bound in the mid to upper 3% band for 20 months straight, while weekly first-time unemployment claims fell below 200,000 in October 2023. In addition, the total number of July 2023, indicating job openings remains high suggesting continued labor employment market strength. Other measures are mixed as well. The Institute for Supply Management (ISM) manufacturing index continues to point to contraction, while the ISM services index points to growth. Meanwhile, job creation, These positive trends align with steadily falling core inflation and stable inflation-adjusted core retail sales and other metrics have begun to flatten, suggesting the slowing but positive economic growth trajectory may be shifting through the remainder of 2023 and into neutral. The inconsistency among indicators continues to confound economic forecasts for 2024.

Within this context, the Federal Reserve will likely hold rates flat through the remainder of 2023 but into 2024. This should help stabilize the broad consensus is leaning toward a soft landing and a period of slow growth commercial real estate lending climate in late 2023, early 2024. The rising perception that the coming months.

If the U.S. economy could avoid avoids a recession, has convinced an increasing number of commercial real estate investors to could cautiously reengage the investment market, but the sector has yet to attain the critical mass needed to fully revive for a full revival of investment activity.

Commercial Real Estate Supply and Demand

Our business is dependent on the willingness of investors to invest in or sell commercial real estate, which is affected by many factors beyond our control. These factors include the supply of commercial real estate, coupled with user demand for these properties, and the performance of real estate assets, when compared with other investment alternatives, such as stocks and bonds.

Space demand for most commercial property types real estate remained positive in the second third quarter of 2023. Apartment 2023, though office absorption was reinvigorated by strengthening consumer sentiment and reduced fears of a recession, but the marginally above zero. The number of net new apartment leases increased for a third consecutive quarter, but the absorption of 101,000 units in the quarter fell short of the robust construction deliveries in the quarter, apartment completions, resulting in a 10 basis points rise increase of vacancy rates on a national level. Nonetheless, effective rent growth resumed remained modestly positive in the second quarter, taking the national average effective rent to a record high. third quarter. Retail space demand was also positive in the second third quarter, slightly outpacing roughly in alignment with construction resulting in stable vacancy rates and positive rent growth. Industrial space demand, while positive, continued to taper in the third quarter, with absorption falling short of the record pace of

construction. As a result, retail industrial vacancy rates remained flat for a increased 50 basis points in the third consecutive quarter at 4.6%, matching the record low set in 2018. Industrial quarter.

Although office space demand remained still faces significant headwinds, absorption was marginally positive in the second quarter, but tapered relative to third quarter. The space gains fell short of the first quarter in response to reduced retailer inventories and downshifted international trade. The robust modest pace of industrial space construction, office completions, resulting in a 10 basis point increase in vacancy to 17.1% on track a national level, the highest quarterly office vacancy rate in 23 years. Despite the overall weakening of the sector, some office property segments continue to deliver outperform the sector as a record 400 million square feet in 2023, resulted in an up-tick in industrial whole. Smaller suburban office properties constructed since 2010 have a markedly lower vacancy rates to 4.3%, up from rate than large, older urban properties, suggesting that the record low 3.6% rate achieved weakness in the second quarter last year. Nonetheless, industrial rent growth remains elevated, achieving a 14.3% gain on a year-over-year basis.

Contrary to the positive momentum achieved by the other property types, office space demand has yet to stabilize. sector is not as broad-based as previously believed. Hybrid and work-from-home business practices remain in place for most companies, but questions surrounding the long-term viability of these models remain. Some companies have reinvigorated their efforts to bring workers back to the office full time, while others appear content with more flexible practices. Thus far, no clear consensus has emerged, and long-term office space demand remains in question. The national average office vacancy rate continued to rise in the second quarter, reaching a 23 year record high of 17%. Suburban office space has outperformed the urban core while class B/C office space has a lower vacancy rate than class A office space. The broad-based uncertainty surrounding the office space demand investment market has been further complicated by dramatically tightened lending on office building assets, which has further increasingly restrained the already limited office investor activity.

Although fundamentals for most property types remain positive, both lending and investor activity remain below the pre-pandemic norm. The norm and the expectation gap between buyers and sellers remains wide, though it is beginning wide. The demand for space will continue to show preliminary signs of stabilization. Space demand will likely be strongly influenced in the second half of 2023 by Federal Reserve rate movements, consumer and business sentiment and as well as the prospects of a soft landing, broader economic outlook.

Capital Markets

Credit and liquidity issues in the financial markets have a direct impact on the flow of capital to the commercial real estate market. Real estate purchases are often financed with debt, and as a result, credit and liquidity impact transaction activity and prices. Movements of interest rates in one direction, whether increasing or decreasing, could adversely or positively affect the operations and income potential of commercial real estate properties, as well as lender and equity underwriting for real estate investments. These changes directly influence investor demand for commercial real estate investments. Furthermore, the use of debt or loan-to-value ratios can shift along with lender confidence and underwriting standards. At times of heightened uncertainty or liquidity issues, loan-to-values decline, requiring buyers to provide more equity and take more risk to close deals.

The capital markets remain at the heart of the commercial real estate transaction slowdown. The combination of sharply higher interest rates with tighter lender underwriting, reduced loan-to-value standards and a broad-based reduction in the volume of available debt capital have restrained market liquidity and forced investors to recalibrate their underwriting. This exacerbated the buyer/seller expectation gap and restrained reduced trading in through the first half three quarters of 2023.

The rapid withdrawal of savings from Silicon Valley Bank in March and then First Republic Bank in May forced the shutdown of both banks, causing other banks to shore up their reserves. To mitigate their risk exposure to runs on the bank by depositors, banks have increased their reserves by 10% to \$3.3 trillion. They accomplished this by reducing their lending, including their lending on commercial real estate properties, and increasing their emphasis on deposits.

Following the Federal Reserve's 25 basis points rate increase in July 2023, Chairman Powell indicated that future rate decisions will be data-driven. While this is not a clear signal that the The Federal Reserve will stop increasing held interest rates flat in the 5.25% - 5.5% range at their September meeting. Prevailing Wall Street sentiment has assigned a 61% 75% likelihood that the overnight rate at the end of the year will be in the current range of 5.25% - 5.5%. remain unchanged. The 10-year treasury rate has recently been range-bound surged to the upper 4% range, even surpassing 5% in intraday trading. While the increase in the upper 3% federal funds rate has had an impact, the rise of the 10-year treasury is largely attributable to low 4% range, with each periodic fluctuation requiring repricing the combination of increased treasury issuance and causing transaction delays. reduced treasury purchases by the Federal Reserve. The jump in the 10-year treasury rate has directly impacted both residential and commercial lending rates. Although many lenders continue to maintain lending rate floors that have sustained a widened lender spread and higher interest rates for borrowers, if believe the Federal Reserve signals will hold the overnight rate stability at its September meeting, lenders may begin stable through the remainder of the year, rising long-term interest rates could continue to tighten their spreads thereby reducing rates, if only nominally. place upward pressure on commercial real estate lending rates.

While debt capital remains available for most property types, the underwriting remains stringent, lending climate is constrained by a variety of factors. Persistent beliefs that commercial real estate poses a risk to the broader banking system remain despite low distress levels. Only office properties, which represent approximately 3.6% of total bank lending, have demonstrated outsized risk, with tightened loan-to-value percentages that most of the distress limited to older urban office buildings. To offset perceptions of real estate related risk, many banks have reduced their lending to the sector while bolstering their cash reserves. The reduced availability of lending capital from traditional sources has motivated numerous private lenders to enter the market, typically at elevated interest rates.

Investors have been forced investors to underwrite acquisitions with higher cap rates placing additional pressure on the buyer/seller expectation gap due to more stringent underwriting with tightened loan-to-value percentages and higher interest rates. An increasing number of Although property owners have begun continue to seek updated property valuations and more owners have begun to test the sales market, suggesting that activity may begin to revive, despite fewer property owners bringing assets to correspond with the market, in broad-based uncertainty surrounding the first half of the year.

The Federal Reserve's rate decision in September could significantly impact the market. Should the Federal Reserve signal at least a temporary end to their rate increases, lenders may begin to rein in their spreads, thereby reducing mortgage rates. Investors may begin to underwrite assets more aggressively, potentially narrowing the buyer/economy and lending climate have impacted prospective seller expectation gap. However, if the Federal Reserve continues to signal an intention to raise rates further, many lenders and investors may sustain their more conservative practices. In addition, concerns regarding commercial property loan performance and potential defaults have increased, particularly for office properties. Although overall systemic risk appears limited given healthy property fundamentals in most property types, these concerns add to a conservative

stance among lenders in general. activity. We believe record that as economic and financial sector clarity and stability reemerges, transaction activity should revive. An estimated \$237 billion or more of real estate investment capital on that is currently undeployed could quickly reenter the sidelines, eventual market as clarity on the factors outlined above and an end to the tightening cycle should result in a recovery in transaction volumes, emerges. The timing of such a recovery the reentry of this capital is difficult to predict, predict given the range of economic, political and geopolitical forces in play at the national and global level.

Investor Sentiment and Investment Activity

We facilitate investors buying, selling, and financing properties in order to generate commissions. Investors' desires and need to engage in real estate transactions are dependent on many factors that are beyond our control. The economy, supply and demand for properly positioned properties, available credit and market events impact investor sentiment and, therefore, transaction velocity. In addition, our private clients, who make up the largest source of revenue, are often motivated to buy, sell and/or refinance properties due to personal circumstances, such as death, divorce, partnership breakups and estate planning.

Commercial real estate sales activity remained constrained through the first half three quarters of 2023 as tightened lender underwriting, significantly higher interest rates, recession risk and broad-based market uncertainty weighed impacted on investor decisions. We believe a significant volume of investment capital remains on the sidelines undeployed waiting for economic, interest rate, financial market, geopolitical and commercial real estate pricing clarity. Price adjustments are necessary to recalibrate values to higher interest rates, but how long that the duration of the recalibration process takes will substantially depend on the combination of Federal Reserve rate policies, policies, political stability and the market forces driving long-term interest rates. Once investors re-engage in the market, it will likely take time to navigate the price discovery process and for sales activity to revive.

Office properties, particularly those in the urban core, face the greatest uncertainty and the greatest challenges in acquiring debt financing. Apartment financing, underpinned by Fannie Mae and Freddie Mac, has generally been the most attainable, with typically lower interest rates than other property types. However, the rapid interest rate spike relative to the sector's very low cap rates and the large apartment development pipeline together with the three quarters of weakened apartment demand in 2022 slackening rent growth has weighted impacted on apartment sales. Defensive assets — such as single-tenant net lease properties backed by high-credit tenants — and medical office assets continue to receive buyer interest, but sales of these types of properties have also fallen as the flow of 1031 exchange capital coming from other property types has diminished. Ultimately, the market velocity will be dictated by a combination of the economic outlook, geopolitical forces, Federal Reserve action, interest rates and the narrowing of the buyer/seller expectation gap. If the Federal Reserve signals an end to their rate increases, the ten-year treasury rate stabilizes and the economy avoids a significant recession, we believe commercial real estate sales activity should begin to move toward its historical norm in the latter part of 2023.

2024.

Key Financial Measures and Indicators

Revenue

Our revenue is primarily generated from our real estate investment sales business. In addition to real estate brokerage commissions, we generate revenue from financing fees and from other revenue, which are primarily comprised of consulting and advisory fees.

Because our business is transaction oriented, we rely on investment sales and financing professionals to continually develop leads, identify properties to sell and finance, market those properties and close the sale timely to generate a consistent flow of revenue. While our sales volume is impacted by seasonality factors, the timing of closings is also dependent on many market and personal factors unique to a particular client or transaction, particularly clients transacting in the \$1-\$10 million private client market segment. These factors can cause transactions to be accelerated or delayed beyond our control. Further, commission rates earned are generally inversely related to the value of the property sold. As a result of our expansion into the middle and larger transaction market segments, we have seen our overall commission rates fluctuate from period-to-period as a result of changes in the relative mix of the number and volume of investment sales transactions closed in the middle and larger transaction market segments as compared to the \$1-\$10 million private client market segment. These factors may result in period-to-period variations in our revenue that differ from historical patterns.

A small percentage of our transactions include retainer fees and/or breakage fees. Retainer fees are credited against a success-based fee paid upon the closing of a transaction or a breakage fee. Transactions that are terminated before completion will sometimes generate breakage fees, which are usually calculated as a set amount or a percentage of the fee we would have received had the transaction closed.

Real Estate Brokerage Commissions

We earn real estate brokerage commissions by acting as a broker for commercial real estate owners seeking to sell or investors seeking to buy properties. Revenue from real estate brokerage commissions is recognized at the close of escrow.

Financing Fees

We earn financing fees by securing financing on purchase transactions or by securing refinancing of our clients' existing mortgage debt. We recognize financing fee revenue at the time the loan closes, and we have no remaining significant obligations in connection with the transaction.

To a lesser extent, we also earn fees on loan performance, equity advisory services, loan sales, loan guarantees and ancillary services associated with financing activities. We recognize guarantee fees over the term of the guarantee and other fees when we have no further obligations, generally upon the closing of a transaction. During the six nine months ended June 30, 2022 September 30, 2022, we generated mortgage servicing fees through the provision of collection, remittance, recordkeeping, reporting and other related mortgage servicing functions, activities and services. We recognized mortgage servicing revenue upon the acquisition of a servicing obligation.

Other Revenue

Other revenue includes fees generated from consulting, advisory and other real estate services performed by our investment sales professionals. Revenue from these services is recognized as they are performed and completed.

Operating Expenses

Our operating expenses consist of cost of services, selling, general and administrative expenses and depreciation and amortization. The significant components of our expenses are further described below.

Cost of Services

The majority of our cost of services expense is variable commissions paid to our investment sales professionals and compensation-related costs related to our financing activities. Commission expenses are directly attributable to providing services to our clients for investment sales and financing services. Most of our investment sales and financing professionals are independent contractors and are paid commissions; however, because there are some who are initially paid a salary and certain of our financing professionals are employees, costs of services also include employee-related compensation, employer taxes and benefits for those employees. The commission rates we pay to our investment sales and financing professionals vary based on individual contracts negotiated and are generally higher for the more experienced professionals. Some of our most senior investment sales and financing professionals can also earn additional commissions after meeting certain annual financial thresholds. These additional commissions are recognized as cost of services in the period in which they are earned. Payment of a portion of these additional commissions are generally deferred for a period of one to three years, at our election, and paid at the beginning of the second, third or fourth calendar year. Cost of services also includes referral fees paid to other real estate brokers where we are the principal service provider. Cost of services, therefore, can vary based on the commission structure of the independent contractors that closed transactions in any particular period.

Selling, General and Administrative Expenses

The largest expense component within selling, general and administrative expenses is personnel expenses for our management team and sales and support staff. In addition, these costs include facilities costs (excluding depreciation and amortization), staff related expenses, sales, marketing, legal, telecommunication, network, data sources, transaction costs related to acquisitions, costs to acquire and retain talent, changes in fair value for contingent and deferred consideration and other administrative expenses. Also included in selling, general and administrative are expenses for stock-based compensation to non-employee directors, employees and independent contractors (i.e. investment sales and financing professionals) under the Amended and Restated 2013 Omnibus Equity Incentive Plan ("2013 Plan") and the 2013 Employee Stock Purchase Plan ("ESPP").

Depreciation and Amortization Expense

Depreciation expense consists of depreciation recorded on our computer software and hardware and furniture, fixture and equipment. Depreciation is provided over estimated useful lives ranging from three to seven years for assets. Amortization expense consists of (i) amortization recorded for the 2022 period on our mortgage servicing rights ("MSRs") using the interest method over the period that servicing income is expected to be received and (ii) amortization recorded on intangible assets amortized on a straight-line basis using a useful life between one and seven years. years and (ii) amortization recorded for the 2022 period on our mortgage servicing rights using the interest method over the period that servicing income is expected to be received.

Other Income, (Expense), Net

Other income, (expense), net primarily consists of interest income, realized gains and losses on our marketable debt securities, available-for-sale, net gains or losses on our deferred compensation plan assets, realized gains and losses on our marketable debt securities, available-for-sale, foreign currency gains and losses and other non-operating income and expenses.

Interest Expense

Interest expense primarily consists of interest expense associated with the stock appreciation rights ("SARs") liability, and our Credit Agreement. credit agreement.

(Benefit) Provision (Benefit) for Income Taxes

We are subject to U.S. and Canadian federal taxes and individual state and local taxes based on the income generated in the jurisdictions in which we operate. Our effective tax rate fluctuates as a result of (i) changes in our annual effective tax rate applied to current pre-tax income (loss), (ii) the change in the mix of our activities in the jurisdictions in which we operate due to differing tax rates in those jurisdictions and (iii) the impact of permanent items, including compensation charges, qualified transportation fringe benefits, uncertain tax positions, meals and entertainment and tax-exempt deferred compensation plan assets. Our provision (benefit) for income taxes includes the windfall tax benefits and shortfall expenses, net, from shares issued in connection with our 2013 Plan and ESPP.

We record deferred taxes, net based on the tax rate expected to be in effect at the time those items are expected to be recognized for tax purposes.

Results of Operations

Following is a discussion of our results of operations for the three and **six** nine months ended **June 30, 2023** September 30, 2023 and 2022. The tables included in the period comparisons below provide summaries of our results of operations. The period-to-period comparisons of financial results are not necessarily indicative of future results.

Key Operating Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We also believe these metrics are relevant to investors' and others' assessment of our financial condition and results of operations. During the three months ended **June 30, 2023** **September 30, 2023** and 2022, we closed more than **1,900** **1,800** and **3,600** **3,000** investment sales, financing and other transactions, respectively, with total sales volume of approximately **\$9.7 billion** **\$11.4 billion** and **\$26.4 billion** **\$22.6 billion**, respectively. During the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, we closed more than **3,700** **5,500** and **6,500** **9,500** investment sales, financing and other transactions, respectively, with total sales volume of approximately **\$20.2 billion** **\$31.7 billion** and **\$47.4 billion** **\$69.9 billion**, respectively. Such key metrics for real estate brokerage and financing activities (excluding other transactions) are as follows:

Real Estate Brokerage	Real Estate Brokerage	Three Months Ended June 30,		Six Months Ended June 30,		Real Estate Brokerage	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Average Number of Investment Sales Professionals	Average Number of Investment Sales Professionals	1,757	1,822	1,769	1,839	Average Number of Investment Sales Professionals	1,733	1,792	1,757	1,823
Average Number of Transactions per Investment Sales Professional	Average Number of Transactions per Investment Sales Professional	0.81	1.47	1.53	2.62	Average Number of Transactions per Investment Sales Professional	0.79	1.25	2.31	3.88
Average Commission per Transaction	Average Commission per Transaction	\$ 98,686	\$ 132,099	\$ 101,954	\$ 133,056	Average Commission per Transaction	\$ 102,731	\$ 130,405	\$ 102,214	\$ 132,213
Average Commission Rate	Average Commission Rate	1.86 %	1.79 %	1.88 %	1.73 %	Average Commission Rate	1.88 %	1.63 %	1.88 %	1.70 %
Average Transaction Size (in thousands)	Average Transaction Size (in thousands)	\$ 5,303	\$ 7,399	\$ 5,433	\$ 7,688	Average Transaction Size (in thousands)	\$ 5,462	\$ 7,981	\$ 5,442	\$ 7,781
Total Number of Transactions	Total Number of Transactions	1,422	2,685	2,701	4,822	Total Number of Transactions	1,361	2,246	4,062	7,068
Total Sales Volume (in millions)	Total Sales Volume (in millions)	\$ 7,542	\$ 19,868	\$ 14,674	\$ 37,073	Total Sales Volume (in millions)	\$ 7,433	\$ 17,926	\$ 22,107	\$ 54,999
Financing (1)	Financing (1)	Three Months Ended June 30,		Six Months Ended June 30,		Financing (1)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Average Number of Financing Professionals	Average Number of Financing Professionals	95	87	94	86	Average Number of Financing Professionals	96	87	95	86
Average Number of Transactions per Financing Professional	Average Number of Transactions per Financing Professional	2.99	8.01	5.99	14.15	Average Number of Transactions per Financing Professional	2.88	5.95	8.83	20.17
Average Fee per Transaction	Average Fee per Transaction	\$ 52,166	\$ 44,985	\$ 49,382	\$ 44,198	Average Fee per Transaction	\$ 50,062	\$ 44,751	\$ 49,606	\$ 44,363
Average Fee Rate	Average Fee Rate	0.90 %	0.70 %	0.82 %	0.75 %	Average Fee Rate	0.73 %	0.70 %	0.79 %	0.74 %

Average Transaction Size (in thousands)	Average Transaction Size (in thousands)	\$ 5,786	\$ 6,453	\$ 5,986	\$ 5,882	Average Transaction Size (in thousands)	\$ 6,904	\$ 6,350	\$ 6,288	\$ 6,021
Total Number of Transactions	Total Number of Transactions	284	697	563	1,217	Total Number of Transactions	276	518	839	1,735
Total Financing Volume (in millions)	Total Financing Volume (in millions)	\$ 1,643	\$ 4,498	\$ 3,370	\$ 7,158	Total Financing Volume (in millions)	\$ 1,906	\$ 3,289	\$ 5,276	\$ 10,447

(1) Operating metrics exclude certain financing fees not directly associated to transactions.

Comparison of Three Months Ended June 30, 2023 September 30, 2023 and 2022

Below are key operating results for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022 (dollars in thousands):

	Revenue:	Three Months Ended June 30, 2023						Three Months Ended September 30, 2023					
		Revenue		Revenue		Percentage		Revenue		Revenue		Percentage	
		June 30, 2023	of Revenue	June 30, 2022	Dollar Revenue	June 30, 2023	of Revenue	September 30, 2023	of Revenue	September 30, 2022	Dollar Revenue	September 30, 2023	Percentage
Revenue:	Revenue:												
Real estate brokerage commissions	Real estate brokerage commissions	\$140,330	86.2 %	\$354,685		89.6 %	\$(214,355)	-60.4 %					
(60.4)%													
Financing fees	Financing fees	17,896	11.0	36,811		9.3	(18,915)	-51.4 %	(51.4)%				
Other revenue	Other revenue	4,640	2.8	4,461		1.1	179	4.0 %	4.0 %				
Total revenue	Total revenue	162,866	100	395,957		100	(233,091)	-58.9 %	(58.9)%				
Operating expenses:	Operating expenses:												
Cost of services	Cost of services	101,163	62.1	256,042		64.7	(154,879)	-60.5 %	(60.5)%				
Selling, general and administrative	Selling, general and administrative	68,910	42.3	79,841		20.2	(10,931)	-13.7 %	(13.7)%				
Depreciation and amortization	Depreciation and amortization	3,468	2.1	3,332		0.8	136	4.1 %	4.1 %				
Total operating expenses	Total operating expenses	173,541	106.5	339,215		85.7	(165,674)	-48.8 %	(48.8)%				
Operating (loss) income	Operating (loss) income	(10,675)	(6.5)	56,742		14.3	(67,417)	-118.8 %	(118.8)%				
Other income (expense), net		4,890	3.0	(461)		(0.1)	5,351	-1160.7 %	(1)				
Other income, net													
Interest expense	Interest expense	(216)	(0.1)	(158)		0.0	(58)	36.7 %	36.7 %	Interest expense	(241)	(0.1)	(229)
(Loss) income before provision for income taxes		(6,001)	(3.7)	56,123		14.2	(62,124)	-110.7 %	(110.7)%				
Provision for income taxes		2,728	1.7 %	13,955		3.5	(11,227)	-80.5 %	(80.5)%				
(Loss) income before (benefit) provision for income taxes										(Loss) income before (benefit) provision for income taxes	(11,250)	(6.9)	31,301
(Benefit) provision for income taxes										(Benefit) provision for income taxes	(2,010)	(1.2) %	9,939
Net (loss) income	Net (loss) income	\$ (8,729)	(5.4) %	\$ 42,168		10.6 %	\$ (50,897)	-120.7 %	(120.7)%	Net (loss) income	\$ (9,240)	(5.7) %	\$ 21,362

Adjusted EBITDA ⁽²⁾	Adjusted EBITDA ⁽²⁾	\$ (1,056)	(0.6) %	\$ 62,909	15.9 %	\$ (63,965)	-101.7 %	(101.7) %	Adjusted EBITDA ⁽²⁾	\$ (6,647)	(4.1) %	\$ 36,633
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⁽¹⁾ Percentage not meaningful.

⁽²⁾ Adjusted EBITDA is not a measurement of our financial performance under U.S. generally accepted accounting principles ("U.S. GAAP") and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see "Non-GAAP Financial Measure."

Revenue

Our total revenue was \$162.9 million \$162.0 million for the three months ended June 30, 2023 September 30, 2023 compared to \$396.0 million \$323.8 million for the same period in 2022, a decrease of \$23.1 million \$161.8 million, or 58.9% 50.0%. Total revenue decreased as a result of decreases in real estate brokerage commissions and financing fees, as described below. See "Factors Affecting Our Business" section for additional market information.

Real estate brokerage commissions. Revenue from real estate brokerage commissions decreased to \$140.3 million \$139.8 million for the three months ended June 30, 2023 September 30, 2023 from \$354.7 million \$292.9 million for the same period in 2022, a decrease of \$214.4 million \$153.1 million, or 60.4% 52.3%. The number of transactions decreased by 47.0% 39.4% and the average commission per transaction decreased 25.3% 21.2%, which drove a decrease of revenue of 54.1% 44.7% in the Private Client Market and a decrease of 71.5% 64.3% in the combined Middle Market and Larger Transaction Market. The average commission rate increased by seven 25 basis points in the second third quarter of 2023 compared to the same quarter in 2022 as a result of a shift in the proportion of transactions to the Private Client Market from the Middle Market and Larger Transaction Market as Private Client Market transactions typically earn higher commission rates.

Financing fees. Revenue from financing fees decreased to \$17.9 million \$17.3 million for the three months ended June 30, 2023 September 30, 2023 from \$36.8 million \$28.1 million for the same period in 2022, a decrease of \$18.9 million \$10.8 million, or 51.4% 38.6%, resulting primarily from a 59.3% 46.7% decrease in the number of financing transactions, transactions. This decrease was partially offset by a 16.0% an increase in the average transaction size of 8.7%, and an increase in the average fee per transaction. The transaction of 11.9%, resulting in an increase in the average fee rate increased by 20 of three basis points primarily due to a decrease in the average transaction size of 10.3% as a result of a decrease in the percentage of larger size financing transactions, which typically earn lower commission rates, points.

Other revenue. Other revenue increased to \$4.6 million \$5.0 million for the three months ended June 30, 2023 September 30, 2023 from \$4.5 million \$2.9 million for the same period in 2022, an increase of \$0.2 million \$2.1 million, or 4.0% 73.6%. The increase was primarily driven by increases in consulting and advisory services during the three months ended June 30, 2023 September 30, 2023, compared to the same period in 2022.

Total Operating Expenses

Our total operating expenses were \$173.5 million \$177.5 million for the three months ended June 30, 2023 September 30, 2023 compared to \$339.2 million \$293.3 million for the same period in 2022, a decrease of \$165.7 million \$115.8 million, or 48.8% 39.5%. Cost of services decreased by \$154.9 million \$112.7 million and selling, general, and administrative expenses decreased by \$10.9 million \$3.8 million, as described below.

Cost of services. Cost of services are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities.

Cost of services. Cost of services decreased to \$101.2 million \$104.6 million for the three months ended June 30, 2023 September 30, 2023 from \$256.0 million \$217.4 million for the same period in 2022, a decrease of \$154.9 million \$112.7 million, or 60.5% 51.9%. The decrease was primarily due to decreased commission expenses driven by the related decreased revenue noted above. Cost of services as a percentage of total revenue decreased by 260 250 basis points to 62.1% 64.6% compared to the same period in 2022, 2022 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier in prior year than in current year.

Selling, general, and administrative expense. Selling, general and administrative expense for the second third quarter of 2023 decreased to \$68.9 million \$69.2 million, from \$79.8 million \$73.0 million compared to the same period in the prior year, a decrease of \$10.9 million \$3.8 million or 13.7% 5.2%. The change was primarily due to a reduction in compensation related costs, specifically performance-based bonuses for the second third quarter of 2023, partially offset by an increase in business development, marketing, and other support costs related to the long-term retention of our sales and financing professionals.

Depreciation and amortization expense. Depreciation and amortization expense increased by an immaterial amount for the three months ended June 30, 2023 September 30, 2023 compared to the same period in the prior year.

Other Income, (Expense), Net

Other income, (expense), net increased to income of \$4.9 million \$4.4 million for the three months ended June 30, 2023 September 30, 2023 from an expense of \$0.5 million \$1.0 million for the same period in 2022. The increase of \$5.4 million \$3.4 million was primarily driven by an increase of \$3.2 million \$2.0 million in income from investments and a favorable change the impact of \$1.7 million unrealized foreign currency losses in the value of our deferred compensation plan assets that are held in a rabbi trust, 2022.

Interest Expense

Interest expense increased by an immaterial amount for the three months ended **June 30, 2023** **September 30, 2023** compared to the same period in 2022, and primarily relates to interest expense on the Company's SARs liability.

(Benefit) Provision for Income Taxes

The **provision benefit** for income taxes was **\$2.7 million** **\$2.0 million** for the three months ended **June 30, 2023** **September 30, 2023**, compared to **\$14.0 million** a provision for income taxes of **\$9.9 million** for the same period in 2022. The effective income tax rate for the three months ended **June 30, 2023** **September 30, 2023**, was **(45.5)%** **17.8%** compared to **24.9%** **31.7%** for the same period in 2022. The **tax provision for majority of the three months ended June 30, 2023** is affected by non-deductible permanent items and **changes reduction in estimates to reflect income taxes through June 30, 2023 at the estimated annual effective tax rate. This resulted rate is related to permanent and other items as presented in recording a tax provision versus a tax benefit despite Note 10 - "Income Taxes" in the loss before income taxes for notes to the three months ended June 30, 2023**, condensed consolidated financial statements in Item 1, Part I of this quarterly report.

Comparison of Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022

Below are key operating results for the **six nine months ended June 30, 2023 September 30, 2023** compared to the **six nine months ended June 30, 2022 September 30, 2022** (dollars in thousands):

	Revenue:	Six Months Ended June 30, 2023						Six Months Ended June 30, 2022						Nine Months Ended September 30, 2023						Nine Months Ended September 30, 2022					
		Revenue:		Revenue:		Percentage:		Revenue:		Revenue:		Percentage:		Revenue:		Revenue:		Revenue:		Revenue:		Percentage:			
		June 30, 2023	of Revenue	June 30, 2022	Dollar Revenue	June 30, 2023	of Percentage	June 30, 2022	Dollar Percentage	June 30, 2023	of Revenue	June 30, 2022	Dollar Percentage	September 30, 2023	of Revenue	September 30, 2022	Dollar Revenue	September 30, 2023	of Revenue	September 30, 2022	Dollar Percentage				
Revenue:	Revenue:																								
Real estate brokerage commissions	Real estate brokerage commissions	\$275,376	86.7 %	\$641,594		89.7 %	\$(366,218)		-57.1 %		(57.1)%														
Financing fees	Financing fees	33,764	10.6	63,264		8.8	(29,500)		-46.6 %		(46.6)%														
Other revenue	Other revenue	8,518	2.7	10,563		1.5	(2,045)		-19.4 %		(19.4)%														
Total revenue	Total revenue	317,658	100	715,421		100	(397,763)		-55.6 %		(55.6)%														
Operating expenses:	Operating expenses:																								
Cost of services	Cost of services	196,590	61.9	452,810		63.3	(256,220)		-56.6 %		(56.6)%														
Selling, general and administrative	Selling, general and administrative	141,129	44.4	154,376		21.6	(13,247)		-8.6 %		(8.6)%														
Depreciation and amortization	Depreciation and amortization	6,675	2.1	7,243		1.0	(568)		-7.8 %		(7.8)%														
Total operating expenses	Total operating expenses	344,394	108.4	614,429		85.9	(270,035)		-43.9 %		(43.9)%														
Operating (loss) income	Operating (loss) income	(26,736)	(8.4)	100,992		14.1	(127,728)		-126.5 %		(126.5)%														
Other income (expense), net	Other income (expense), net	9,700	3.0	(11)		0.0	9,711		-88281.8 %		(1)														
Other income, net	Other income, net																								
Interest expense	Interest expense	(431)	(0.1)	(318)		0.0	(113)		35.5 %		35.5 %														
(Loss) income before (benefit) provision for income taxes	(Loss) income before (benefit) provision for income taxes	(17,467)	(5.5)	100,663		14.1	(118,130)		(117.4)%		(117.4)%														
(Benefit) provision for income taxes	(Benefit) provision for income taxes	(2,905)	(0.9)	25,712		3.6	(28,617)		-111.3 %		(111.3)%														
Net (loss) income	Net (loss) income	\$ (14,562)	(4.6) %	\$ 74,951		10.5 %	\$ (89,513)		-119.4 %		(119.4)%														
Adjusted EBITDA ⁽²⁾	Adjusted EBITDA ⁽²⁾	\$ (8,479)	(2.7) %	\$ 114,761		16.0 %	\$ (123,240)		-107.4 %		(107.4)%														

⁽¹⁾ Percentage not meaningful.

⁽²⁾ Adjusted EBITDA is not a measurement of our financial performance under U.S. generally accepted accounting principles ("U.S. GAAP") and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted

EBITDA to net income, see "Non-GAAP Financial Measure."

Revenue

Our total revenue was \$317.7 million \$479.7 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$715.4 million \$1,039.3 million for the same period in 2022, a decrease of \$397.8 million \$559.6 million, or 55.6% 53.8%. Total revenue decreased as a result of decreases in real estate brokerage commissions and financing fees, and other revenue, as described below. See "Factors Affecting Our Business" section for additional market information.

Real estate brokerage commissions. Revenue from real estate brokerage commissions decreased to \$275.4 million \$415.2 million for the six nine months ended June 30, 2023 September 30, 2023 from \$641.6 million \$934.5 million for the same period in 2022, a decrease of \$366.2 million \$519.3 million, or 57.1% 55.6%. The number of transactions decreased by 44.0% 42.5% and the average commission per transaction decreased 23.4% 22.7%, which drove a decrease of revenue of 49.7% 48.1% in the Private Client Market and a decrease of 69.4% 67.8% in the combined Middle Market and Larger Transaction Market. The average commission rate increased by 15 18 basis points in the second quarter of 2023 nine months ended September 30, 2023 compared to the same quarter period in 2022, as a result of a shift in the proportion of transactions to the Private Client Market from the Middle Market and Larger Transaction Market as Private Client Market transactions typically earn higher commission rates.

Financing fees. Revenue from financing fees decreased to \$33.8 million \$51.0 million for the six nine months ended June 30, 2023 September 30, 2023 from \$63.3 million \$91.4 million for the same period in 2022, a decrease of \$29.5 million \$40.3 million, or 46.6% 44.2%, resulting primarily from a 53.7% 51.6% decrease in the number of financing transactions, transactions. This decrease was partially offset by an 11.7% increase in the average transaction size of 4.4%, and an increase in the average fee per transaction. The average fee rate increased by seven basis points due to transaction of 11.8%, resulting in an increase in the number average fee rate of smaller size financing transactions, which typically earn higher commission rates, five basis points.

Other revenue. Other revenue decreased to \$8.5 million of \$13.5 million for the six nine months ended June 30, 2023 from \$10.6 million September 30, 2023 was comparable to \$13.4 million for the same period in 2022, a decrease of \$2.0 million, or 19.4%. The decrease was primarily driven by decreases in consulting and advisory services during the six months ended June 30, 2023, compared to the same period in 2022.

Total Operating Expenses

Our total operating expenses were \$344.4 million \$521.9 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$614.4 million \$907.7 million for the same period in 2022, a decrease of \$270.0 million \$385.9 million, or 43.9% 42.5%. Cost of services decreased by \$256.2 million \$369.0 million and selling, general, and administrative expenses decreased by \$13.2 million \$17.1 million, as described below.

Cost of services. Cost of services are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities.

Cost of services. Cost of services decreased to \$196.6 million \$301.2 million for the six nine months ended June 30, 2023 September 30, 2023 from \$452.8 million \$670.2 million for the same period in 2022, a decrease of \$256.2 million \$369.0 million, or 56.6% 55.1%. The decrease was primarily due to decreased commission expenses driven by the related decreased revenue noted above. Cost of services as a percentage of total revenue decreased by 140 170 basis points to 61.9% 62.8% compared to the same period in 2022, 2022 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier in prior year than in current year.

Selling, general, and administrative expense. Selling, general and administrative expense for the six nine months ended June 30, 2023 September 30, 2023 decreased to \$141.1 million \$210.3 million, from \$154.4 million \$227.4 million compared to the same period in the prior year, a decrease of \$13.2 million \$17.1 million or 8.6% 7.5%. The change was primarily due to a reduction in compensation-related costs, specifically performance-based bonuses for the first half three quarters of 2023, partially offset by an increase in business development, marketing, other support and expensing of capital related to the long-term retention of our sales and financing professionals.

Depreciation and amortization expense. Depreciation and amortization expense decreased increased by an immaterial amount for the six nine months ended June 30, 2023 September 30, 2023 compared to the same period in the prior year.

Other Income, (Expense), Net

Other income, (expense), net increased to \$9.7 million \$14.1 million for the six nine months ended June 30, 2023 September 30, 2023 from \$0.0 million \$1.0 million for the same period in 2022. The increase of \$9.7 million \$13.2 million was primarily driven by an increase of \$6.7 million \$8.8 million in income from investments, and a favorable change of \$2.7 million \$2.8 million in the value of our deferred compensation plan assets that are held in a rabbi trust, trust and the impact of unrealized foreign currency losses in 2022.

Interest Expense

Interest expense increased by an immaterial amount for the three months ended June 30, 2023 September 30, 2023 compared to the same period in 2022, and primarily relates to interest expense on the Company's SARs liability.

(Benefit) Provision for Income Taxes

The benefit for income taxes was \$2.9 million \$4.9 million for the six nine months ended June 30, 2023 September 30, 2023 compared to a provision for income taxes of \$25.7 million \$35.7 million for the same period in 2022. The effective income tax rate for the six nine months ended June 30, 2023 September 30, 2023 was 16.6% 17.1% compared to

25.5% 27.0% for the same period in 2022. The majority of the reduction in the effective income tax rate decreased primarily due is related to relationship permanent and other items as presented in Note 10 - "Income Taxes" in the notes to the condensed consolidated financial statements in Item 1, Part I of permanent nondeductible items to projected pre-tax income for the full year. this quarterly report.

Non-GAAP Financial Measure

In this quarterly report on Form 10-Q, we include a non-GAAP financial measure, adjusted earnings before interest income/expense, taxes, depreciation and amortization, stock-based compensation and other non-cash items, or Adjusted EBITDA. We define Adjusted EBITDA as net (loss) income before (i) interest income and other, including net realized gains (losses) on marketable debt securities, available-for-sale and cash, cash equivalents, and restricted cash, (ii) interest expense, (iii) (benefit) provision (benefit) for income taxes, (iv) depreciation and amortization, and (v) stock-based compensation. We use Adjusted EBITDA in our business operations to evaluate the performance of our business, develop budgets and measure our performance against those budgets, among other things. We also believe that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance. However, Adjusted EBITDA has material limitations as a supplemental metric and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. We find Adjusted EBITDA to be a useful management metric to assist in evaluating performance, because Adjusted EBITDA eliminates items related to capital structure, taxes and non-cash items.

In light of the foregoing limitations, we do not rely solely on Adjusted EBITDA as a performance measure and also consider our U.S. GAAP results. Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures calculated in accordance with U.S. GAAP. Because Adjusted EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies. A reconciliation of the most directly comparable U.S. GAAP financial measure, net income, to Adjusted EBITDA is as follows (in thousands):

		Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
		June 30,		June 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022
Net (loss) income	Net (loss) income	\$ (8,729)	\$ 42,168	\$ (14,562)	\$ 74,951	\$ (9,240)	\$ 21,362	\$ (23,802)	\$ 96,313
Adjustments:	Adjustments:					Adjustments:			
Interest income and other ⁽¹⁾	Interest income and other ⁽¹⁾	(4,090)	(979)	(8,480)	(1,594)	Interest income and other ⁽¹⁾	(4,721)	(2,365)	(13,201)
Interest expense	Interest expense	216	158	431	318	Interest expense	241	229	672
Provision (benefit) for income taxes	Provision (benefit) for income taxes	2,728	13,955	(2,905)	25,712	(Benefit) provision for income taxes	(2,010)	9,939	(4,915)
Depreciation and amortization	Depreciation and amortization	3,468	3,332	6,675	7,243	Depreciation and amortization	3,637	2,924	10,312
Stock-based compensation	Stock-based compensation	5,351	4,275	10,362	8,131	Stock-based compensation	5,446	4,544	15,808
Adjusted EBITDA	Adjusted EBITDA	\$ (1,056)	\$ 62,909	\$ (8,479)	\$ 114,761	Adjusted EBITDA	\$ (6,647)	\$ 36,633	\$ (15,126)
									\$ 151,394

⁽¹⁾ Other includes net realized gains (losses) on marketable debt securities available-for-sale.

Liquidity and Capital Resources

Our primary sources of liquidity are cash, cash equivalents, and restricted cash, cash flows from operations, marketable debt securities, available-for-sale and, if necessary, borrowings under our Credit Agreement. In order to enhance yield to us, we have invested a portion of our cash in money market funds and fixed and variable income debt securities, in accordance with our investment policy approved by the Board of Directors. Certain of our investments in money market funds may not maintain a stable net asset value and may impose fees on redemptions and/or gating fees, a discretionary liquidity fee. To date, the Company has not experienced any restrictions or gating fees on its ability to redeem funds from money market funds. Although we have historically funded our operations through operating cash flows, there can be no assurance that we can continue to meet our cash requirements entirely through our operations, cash, cash equivalents, and restricted cash, proceeds from the sale of marketable debt securities, available-for-sale or availability under our Credit Agreement.

Cash Flows

Our total cash, cash equivalents, and restricted cash balance decreased by \$64.7 million \$11.7 million to \$171.2 million \$224.2 million at June 30, 2023 September 30, 2023, compared to \$235.9 million at December 31, 2022. The following table sets forth our summary cash flows for the six nine months ended June 30, 2023 September 30, 2023 and 2022 (in thousands):

Six Months Ended		Nine Months Ended	
June 30,		September 30,	
2023	2022	2023	2022

Net cash flows used in operating activities	Net cash flows used in operating activities	\$ (94,775)	\$ (51,840)	Net cash flows used in operating activities	\$ (87,114)	\$ (11,775)
Net cash flows provided by (used in) investing activities	Net cash flows provided by (used in) investing activities	82,373	(56,575)	Net cash flows provided by (used in) investing activities	128,733	(31,291)
Net cash flows used in financing activities	Net cash flows used in financing activities	(52,372)	(61,899)	Net cash flows used in financing activities	(53,318)	(67,774)
Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	121	(175)	Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	—	(436)
Net decrease in cash, cash equivalents, and restricted cash	Net decrease in cash, cash equivalents, and restricted cash	(64,653)	(170,489)	Net decrease in cash, cash equivalents, and restricted cash	(11,699)	(111,276)
Cash, cash equivalents, and restricted cash at beginning of period	Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140	Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140
Cash, cash equivalents, and restricted cash at end of period	Cash, cash equivalents, and restricted cash at end of period	\$ 171,220	\$ 211,651	Cash, cash equivalents, and restricted cash at end of period	\$ 224,174	\$ 270,864

Operating Activities

Cash flows used in operating activities were \$94.8 million \$87.1 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$51.8 million \$11.8 million for the same period in 2022. The \$42.9 million \$75.3 million increase in cash flows used in operating activities for the six nine months ended June 30, 2023 September 30, 2023 compared to the same period in 2022 was primarily due to decreased operating income as discussed above. The cash flows from operating activities are also affected by the timing of certain cash receipts and payments.

Investing Activities

Cash flows provided by investing activities were \$82.4 million \$128.7 million for the six nine months ended June 30, 2023 September 30, 2023 compared to cash flows used in investing activities of \$56.6 million \$31.3 million for the same period in 2022. The \$138.9 million \$160.0 million increase in cash provided by investing activities for the six nine months ended June 30, 2023 September 30, 2023 compared to the same period in 2022 was primarily due to a net increase of \$127.0 million \$146.7 million in net proceeds from sales and maturities of securities in 2023 compared to the same period in 2022, as well as the 2022 acquisition of a business for \$12.5 million, with no corresponding outflow in the current period.

Financing Activities

Cash flows used in financing activities were \$52.4 million \$53.3 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$61.9 million \$67.8 million for the same period in 2022. The decrease of \$9.5 million \$14.5 million in cash flows used in financing activities for the six nine months ended June 30, 2023 September 30, 2023 compared to the same period in 2022 was primarily due to a decrease of \$4.1 million \$3.8 million in taxes paid related to net share settlement of stock-based awards, along with a decrease of \$39.8 million \$39.7 million in dividends paid, partially offset by \$34.9 million an increase of \$29.3 million in stock repurchases in 2023, which did not occur in the 2022 period, repurchases.

Liquidity

We believe that our existing balances of cash, cash equivalents, and restricted cash, cash flows expected to be generated from our operations, and proceeds from the sale of marketable debt securities, available-for-sale will be sufficient to satisfy our operating requirements for at least the next 12 months. If we need to raise additional capital through public or private debt or equity financings, strategic relationships or other arrangements, this capital might not be available to us in a timely manner, on acceptable terms, or at all. Our failure to raise sufficient capital when needed could prevent us from funding acquisitions or otherwise financing our growth or operations. As of June 30, 2023 September 30,

2023, cash, cash equivalents, and restricted cash and marketable debt securities, available-for-sale, aggregated \$406.8 million, and we had \$59.5 million of borrowing capacity under our Credit Agreement (defined below) \$411.4 million.

Credit Agreement

We have a Credit Agreement credit agreement with Wells Fargo Bank, National Association (the "Credit Agreement") which provides for a \$60.0 million \$10.0 million principal amount senior secured revolving credit facility that is guaranteed by all of our domestic subsidiaries and matures on June 1, 2025 (the "Credit Agreement") June 1, 2024. The Company is monitoring covenant compliance on a regular basis to ensure continued compliance with the Credit Agreement. Our ability to borrow under our Credit Agreement is limited by our ability to comply with its covenants or obtain necessary waivers. See Note 12 – "Commitments and Contingencies" of our Notes to Condensed Consolidated Financial Statements for additional information on the Credit Agreement.

Off Balance Sheet Arrangements

The Company, in connection with the Strategic Alliance with M&T Realty Capital Corporation ("MTRCC"), has agreed to provide loan opportunities that may be funded through MTRCC's agreement with Fannie Mae which requires MTRCC to guarantee a portion of each funded loan. On a loan-by-loan basis, the Company, at its option, can assume a portion of MTRCC's guarantee obligation to Fannie Mae of loan opportunities presented to and closed by MTRCC. As of June 30, 2023 September 30, 2023, the Company has agreed to a maximum aggregate guarantee obligation of \$114.7 million \$138.5 million relating to loans with an unpaid balance of \$688.1 million \$831.2 million. The maximum guarantee obligation is not representative of the actual loss we would incur. The Company would be liable for this amount only if all of the loans for which it is providing a guarantee to MTRCC were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement. The Company records a loan-loss obligation and is required to provide cash collateral to MTRCC for this obligation.

Material Cash Requirements

There have been no material changes in our commitments under contractual obligations, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 through the date the condensed consolidated financial statements were issued, other than for the semi-annual regular dividend of \$0.25 per share on outstanding common stock declared by our Board of Directors on August 1, 2023, payable on with a payment date of October 6, 2023.

Inflation

Our commissions and other variable costs related to revenue are primarily affected by real estate market supply and demand, which may be affected by uncertain or changing economic and market conditions, including inflation/deflation arising in connection with and in response to various macroeconomic factors and impact of rising interest rates on the broader economy.

The annual inflation rate in the U.S. United States increased to 9.1% in June 2022, the highest annual inflation rate since November 1981, but has since decreased to 3.0% in June stabilized at 3.7% as of September 2023. Core inflation, which does not consider volatile food and energy prices, has demonstrated a more consistent downward trend, falling nearly every month since September 2022. In response to elevated inflation levels, the Federal Reserve has increased the federal funds rate by 525 basis points through July 26, 2023 to the 5.25%-5.5% range as of their meeting on September 20, 2023. In the wake of several bank failures and continued concerns in the banking system, Prevailing sentiment on Wall Street currently assigns a 75% likelihood that the Federal Reserve has sustained their tapered rate increases, fueling speculation that they may soon pause their upward pressure on will hold rates flat through the overnight rate. As a byproduct remainder of the rapid increases in interest rates since March 2022, lenders have tightened their underwriting standards and raised rates substantively, adversely impacting commercial real estate transactions. 2023. Although inflation is still elevated and well above the Federal Reserve's target rate, it appears to be on a downward trend, trending downward. Services inflation and wage the lagging housing inflation metric, however, have yet to deliver a measurable downturn. Both of these types of inflation affect commercial real estate operators, increasing their operating costs. Sustained elevated interest rates and inflation would be expected to have a negative impact on client demand for commercial real estate.

Critical Accounting Policies; Use of Estimates

We prepare our financial statements in accordance with U.S. GAAP. In applying many of these accounting principles, we make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and our actual results may change based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. There were no significant changes in our critical accounting policies, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We maintain a portfolio of investments in a variety of fixed and variable debt rate securities, including U.S. Treasuries, U.S. government sponsored entities, corporate debt, asset-backed securities and others. As of June 30, 2023 September 30, 2023, the fair value of investments in marketable debt securities, available-for-sale was \$235.6 million \$187.2 million. The primary objective of our investment activity is to maintain the safety of principal and to provide for future liquidity requirements while maximizing yields without significantly increasing risk. While some investments may be securities of companies in foreign countries, all investments are denominated and payable in U.S. Dollars. We do not enter into investments for trading or speculative purposes. While our intent is not to sell these investment securities prior to their stated maturities, we may choose to sell any of the securities for strategic reasons including, but not limited to, anticipated capital requirements, anticipation of credit deterioration, duration management, yield management and because a security no longer meets the criteria of our investment policy. We do not use derivatives or similar instruments to manage our interest rate risk. We seek to invest in high quality investments. The weighted average rating (exclusive of cash, cash equivalents, and restricted cash) was AA AA- as of June 30, 2023 September 30, 2023. Maturities are maintained consistent with our short-, medium- and long-term liquidity objectives.

Currently, our portfolio of investments predominantly consists of fixed interest rate debt securities; however, a portion of our investment portfolio may consist of variable interest rate debt securities. Our investments in fixed interest rate debt securities are subject to various market risks. Changes in prevailing interest rates may adversely or positively impact their fair market value should interest rates generally rise or fall. Accordingly, we also may have interest rate risk with variable interest rate debt securities as the income produced may decrease if interest rates fall. Contraction in market liquidity may adversely affect the value of portions of our portfolio and affect our ability to sell securities in the time frames required and at acceptable prices. Uncertainty in future market conditions may raise market participant's expectations of returns, thus impacting the value of securities in our portfolio as well. The following table sets forth the

impact on the fair value of our investments as of **June 30, 2023** **September 30, 2023** from changes in interest rates based on the weighted average duration of the debt securities in our portfolio (in thousands):

Change in Interest Rates	Approximate Change in Fair Value of Investments Increase (Decrease)
2% Decrease	\$ 4,424 3,643
1% Decrease	\$ 2,212 1,821
1% Increase	\$ (2,211) (1,821)
2% Increase	\$ (4,422) (3,641)

Due to the nature of our business and the manner in which we conduct our operations, we believe we do not face any material interest rate risk with respect to other assets and liabilities, equity price risk or other market risks. The functional currency of our Canadian operations is the Canadian dollar. We are exposed to foreign currency exchange rate risk for the settlement of transactions of the Canadian operations as well as unrealized translation adjustments. Historically foreign exchange rate risk has not been material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors, and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, with the supervision and participation of our chief executive officer ("CEO") and chief financial officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Form 10-Q, based on the criteria established under the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on such evaluation, our management has concluded that as of **June 30, 2023** **September 30, 2023**, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended **June 30, 2023** **September 30, 2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that a number of our employees and independent contractors are still working remotely. The design of our processes and controls allow for remote execution with accessibility to secure data. Given the current environment, we are continually monitoring and assessing the design and operating effectiveness on our internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in claims and legal actions arising in the ordinary course of our business, some of which involve claims for damages that are substantial in amount. Most of these litigation matters are covered by our insurance policies, which contain deductibles, exclusions, claim limits and aggregate policy limits. Such litigation and other proceedings may include, but are not limited to, actions relating to commercial relationships, standard brokerage disputes like the alleged failure to disclose physical or environmental defects or property expenses or contracts, the alleged inadequate disclosure of matters relating to the transaction like the relationships among the parties to the transaction, potential claims or losses pertaining to the asset, vicarious liability based upon conduct of individuals or entities outside of our control, general fraud claims, conflicts of interest claims, employment law claims, including claims challenging the classification of our sales professionals as independent contractors, claims alleging violations of state consumer fraud

statutes and intellectual property. While the ultimate liability for these legal proceedings cannot be determined, we review the need for an accrual for loss contingencies quarterly and record an accrual for litigation related losses where the likelihood of loss is both probable and estimable. We do not believe, based on information currently available to us, that the final outcome of these proceedings will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes from the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

Purchases of Equity Securities by the Issuer

Share repurchase activity There were no share repurchases as part of the publicly announced plans or programs during the three months ended June 30, 2023 was as follows:

Periods	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1, 2023 - April 30, 2023	401,462	\$ 31.56	401,462	\$ 9,944,539
May 1, 2023 - May 31, 2023	115,076	\$ 28.15	115,076	\$ 76,704,946
June 1, 2023 - June 30, 2023	22,100	\$ 31.02	22,100	\$ 76,019,514
Total	538,638		538,638	\$ 76,019,514

(1) Excludes shares withheld for employee taxes upon vesting of stock-based awards. Stock repurchases under our program may be made through open market September 30, 2023, and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number the approximate dollar value of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and that may yet be limited purchased under the plans or terminated at any time without prior notice.

(2) On May 2, 2023, the Company's Board of Directors approved an additional \$70 million to repurchase common stock under its stock repurchase program, resulting in approximately \$76 million available to repurchase shares under its program. programs is \$76.0 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

The adoption or termination of contracts, instructions or written plans for the purchase or sale of our securities by our officers and directors for the three months ended June 30, 2023, which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1 Plan"), was as follows:

Name	Title	Action	Date Adopted	Expiration Date	Aggregate # of Securities to be Purchased/Sold
Gregory A. LaBerge	Senior Vice President, Chief Administrative Officer	Adoption	May 22, 2023	Earlier of May 19, 2024 or when all shares are sold under the plan.	8,201

None of our officers directors or directors officers adopted or terminated a "non-Rule 10b5-1 trading arrangement" as arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408 408(c) of Regulation S-K, S-K) during the quarterly period covered by this report.

Item 6. Exhibits

Exhibit No.	Description
10.1*	First Amendment to the Second Amended and Restated Credit Agreement dated September 25, 2023, by and between Marcus & Millichap, Inc. and Wells Fargo Bank National Association
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished, not filed.

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.

Marcus & Millichap, Inc.

Date: [August 4, November 3, 2023](#)

By: [/s/ Hessam Nadji](#)

Hessam Nadji
President and Chief Executive Officer
(Principal Executive Officer)

Date: [August 4, November 3, 2023](#)

By: [/s/ Steven F. DeGennaro](#)

Steven F. DeGennaro
Chief Financial Officer
(Principal Financial Officer)

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Execution Version BN 78306262v6 FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of September 25, 2023, by and between MARCUS & MILLICHAP, INC., a Delaware corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"). RECITALS WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Second Amended and Restated Credit Agreement between Borrower and Bank dated as of July 28, 2022, as amended from time to time ("Credit Agreement"). WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes. NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows: 1. Amendments. The Credit Agreement is amended as follows: a. Section 1.1(a) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows: (a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including the Maturity Date, not to exceed at any time the aggregate principal amount of Ten Million Dollars (\$10,000,000) ("Line of Credit"), the proceeds of which shall be used to finance Borrower's working capital requirements and general corporate needs (including, without limitation, mergers and acquisitions and international expansion permitted or not prohibited under this Agreement). Borrower's obligation to repay advances under the Line of Credit shall be evidenced by that certain Fourth Amended and Restated Line of Credit Note, dated September 25, 2023, as modified from time to time ("Line of Credit Note"). b. The first sentence of Section 1.1(c) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows: As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause a branch, a subsidiary or an affiliate to issue standby letters of credit and sight commercial letters of credit for the account of Borrower ("Subfeature Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Subfeature Letters of Credit shall not at any time exceed Three Million Dollars (\$3,000,000). c. Section 1.2(d) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows: (d) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to one half of one percent (0.50%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the first Business Day of each fiscal



2 BN 78306262v6 quarter, commencing on October 1, 2023. As used herein, the term "Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close. d. Section 4.9 of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows: SECTION 4.9 MINIMUM LIQUIDITY. Maintain Borrower's Unencumbered Liquid Assets (excluding availability under the Line of Credit) of not less than One Hundred Million Dollars (\$100,000,000) at all times. Borrower shall also maintain daily average cash deposits with Bank of not less than Thirty Five Million Dollars (\$35,000,000) measured on a monthly basis as of the end of each month. e. Clause (iv) of Section 5.4(a) of the Credit Agreement is hereby deleted and replaced with "(iv) reserved.". f. Clause (x) of Section 5.6(b) of the Credit Agreement is hereby deleted and replaced with "(x) reserved.". g. Section 5.7 of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows: SECTION 5.7 DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on such Obligor's stock now or hereafter outstanding nor redeem, retire, repurchase or otherwise acquire any shares of any class of such Obligor's stock now or hereafter outstanding; provided however, that (a) any direct or indirect subsidiary of Borrower may pay dividends to Borrower without restriction, and (b) Borrower may pay cash dividends or distributions to its shareholders and/or repurchase any class of its stock in any fiscal year so long as all of the following conditions are satisfied: (x) both before and after any such loan or advance Borrower has Unencumbered Liquid Assets (excluding availability under the Line of Credit) of not less than One Hundred Million Dollars (\$100,000,000); (y) there exists no Event of Default, nor any act, condition or event or the passage of time or both would constitute an Event of Default, and no such Event of Default or potential Event of Default results after giving effect to the dividends, distributions or repurchase. Borrower shall provide to Bank, upon request, any documentation required by Bank to substantiate the appropriateness of amounts paid or to be paid. h. Section 8.1 of the Credit Agreement is hereby amended by amending and restating the definition of "Maturity Date", in its entirety, to read as follows: "Maturity Date" means June 1, 2024. i. Section 8.1 of the Credit Agreement is hereby amended by deleting the defined terms "Adjusted DUS Loan Loss Liability", "EBITDA", "EBITDAR", "EBITDAR Coverage Ratio", "Non-cash MSR", "Pro Forma Basis", and "Total Funded Debt" in their entirety. 2. Conditions Precedent to Effectiveness of Amendment. This Amendment shall be effective only upon the satisfaction in full of the following conditions precedent: a. Bank shall have received counterparts to this Amendment, duly executed by Borrower;

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b BN 78306262v6 b. Bank shall have received the Guarantor's Consent and Reaffirmation attached hereto, duly executed by each guarantor; c. Bank shall have received the Fourth Amended and Restated Revolving Line of Credit Note, duly executed by Borrower; and d. Bank shall have received a payment of \$3,162.00 for legal fees incurred in connection with this Amendment, which fee shall be due and payable as of the date hereof.
3. Affirmation. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document. 3. Borrower Representations and Certifications. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement; nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default. [Signatures are on Next Page]



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First Amendment to Second Amended and Restated Credit Agreement IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above. MARCUS & MILlichap, INC. By: Name: Steve DeGennaro /s/ Steve DeGennaro Executive Vice President, Chief Financial Officer

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First Amendment to Second Amended and Restated Credit Agreement WELLS FARGO BANK, NATIONAL ASSOCIATION By: Name: Title: /s/ Amir Darpi Amir Darpi Vice President

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First Amendment to Second Amended and Restated Credit Agreement MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES, INC. By: Name: Title: By: Name: Title: MARCUS & MILLICHAP CAPITAL CORPORATION By: Name: Title: By: Name: Title: MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF FLORIDA, INC. By: Name: Title: By: Name: Title: /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer Steve DeGennaro Executive Vice President, Chief Financial Officer /s/ Steve DeGennaro /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer



First Amendment to Second Amended and Restated Credit Agreement MARCUS & MILICHAP REAL ESTATE INVESTMENT SERVICES OF CHICAGO, INC. By: Name: Title: By: Name: Title: MARCUS & MILICHAP REAL ESTATE INVESTMENT SERVICES OF ATLANTA, INC. By: Name: Title: By: Name: Title: MARCUS & MILICHAP REAL ESTATE INVESTMENT SERVICES OF SEATTLE, INC. By: Name: Title: By: Name: Title: Type text here /s/ Kurt Schwarz
Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer

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First Amendment to Second Amended and Restated Credit Agreement MARCUS & MILICHAP CHICAGO MULTI-FAMILY BROKERS, LLC By: Name: Title: By: Name: Title: /s/ Kurt Schwarz Kurt Schwarz First Vice President, Chief Accounting Officer /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer

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Execution Version BN 78312754v4 FOURTH AMENDED AND RESTATED REVOLVING LINE OF CREDIT NOTE (Daily Simple SOFR) \$10,000,000 Los Angeles, California September 25, 2023 FOR VALUE RECEIVED, the undersigned MARCUS & MILICHAP, INC., a Delaware corporation ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 350 W Colorado Blvd., 4th Floor, Pasadena, California 91105, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Ten Million Dollars (\$10,000,000), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein. This Note amends, restates and replaces in full that certain Third Amended and Restated Revolver Line of Credit Note, dated as of July 28, 2022, in the principal amount of up to \$60,000,000 made by Borrower and payable to the order of Bank previously issued in respect of that certain Second Amended and Restated Credit Agreement between Borrower and Bank dated as of July 28, 2022, as amended from time to time (the "Credit Agreement"). INTEREST. 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement. As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined: (a) "Benchmark Floor" means a rate of interest equal to zero percent (0%). (b) "Daily Simple SOFR" means, with respect to any day (a) "SOFR Rate Day"), a rate per annum equal to SOFR for the day (such day, the "SOFR Determination Day") that is two (2) U.S. Government Securities Business Days prior to (i) if such SOFR Rate Day is a U.S. Government Securities Business Day, such SOFR Rate Day or (ii) if such SOFR Rate Day is not a U.S. Government Securities Business Day, the U.S. Government Securities Business Day immediately preceding such SOFR Rate Day, in each case, as such SOFR is published by the SOFR Administrator on the SOFR Administrator's Website; provided, however, that if Daily Simple SOFR determined as provided above would be less than the Benchmark Floor, then Daily Simple SOFR shall be deemed to be the Benchmark Floor; if by 5:00 p.m. (New York City time) on the second (2nd) U.S. Government Securities Business Day immediately following any SOFR Determination Day, SOFR in respect of such SOFR Determination Day has not been published on the SOFR Administrator's Website and a Benchmark Replacement Date with respect to Daily Simple SOFR has not occurred, then SOFR for such SOFR Determination Day will be SOFR as published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; provided that any SOFR determined pursuant to this sentence shall be utilized for purposes of calculation of Daily Simple SOFR for no more than three (3) consecutive SOFR Rate Days.

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2 BN 78312754v4 (c) "Federal Reserve Business Day" means any day that is not a Saturday, Sunday or other day on which the Federal Reserve Bank of New York is closed. (d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its prime rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate; provided, however, that any borrowings hereunder accruing interest determined in relation to the Prime Rate shall not be less than one percent (1%) at any time, regardless of fluctuations in the Prime Rate that may cause the rate of interest applicable to this Note to be less than one percent (1%). (e) "SOFR" means a rate per annum equal to the secured overnight financing rate as administered by the SOFR Administrator. (f) "SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate). (g) "SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time. (h) "U.S. Government Securities Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association, or any successor thereto, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities. Any capitalized terms not defined herein shall have those meanings set forth in the Credit Agreement (as that term is defined below). 2. Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a rate per annum determined by Bank to be the Applicable Margin plus the Daily Simple SOFR in effect from time to time. The Bank shall be permitted to estimate the amount of accrued interest that is payable at any time hereunder on the applicable invoice provided by Bank to Borrower in respect thereof, in which case Borrower shall pay such estimated amount and Bank shall, to the extent necessary, include on the next invoice an adjustment to correct any difference between the amount on the applicable invoice and the amount of interest that actually accrued pursuant to the terms of this Note. Bank is hereby authorized to note the date, principal amount and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. "Applicable Margin" means one and three quarters of one percent (1.75%) per annum. 3. Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income

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BN 78312754v4 and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to SOFR or Daily Simple SOFR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System, as amended), assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to SOFR or Daily Simple SOFR and (iii) taxes, stamp taxes, and insurance payable by reason of the execution and delivery of this Note, the Credit Agreement, and any loan documents. In determining which of the foregoing are attributable to any SOFR or Daily Simple SOFR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower. 4. Payment of Interest. Interest accrued on this Note shall be payable on the first day of each calendar month, commencing October 1, 2023. 5. Default Interest. From and after the Maturity Date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or upon the occurrence, and during the continuance of an Event of Default, then at the option of the Bank the outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at an increased rate per annum equal to two percent (2%) above the rate of interest from time to time applicable to this Note. 6. Inability to Determine Interest Rates; Illegality. Subject to the Benchmark Replacement Provisions below, if Bank determines (any determination of which shall be conclusive and binding on Borrower) that either (i) Daily Simple

SOFR cannot be determined pursuant to the definition thereof other than as a result of a Benchmark Transition Event (an "Inability Determination") or (ii) any law has made it unlawful, or that any governmental authority has asserted that it is unlawful, for Bank to make or maintain an advance based on SOFR or Daily Simple SOFR, or to determine or charge interest rates based upon SOFR or Daily Simple SOFR (an "Illegality Determination"), then Bank will so notify Borrower. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a rate per annum determined by Bank to be equal to the Prime Rate in effect from time to time, from the date of an Inability Determination or an Illegality Determination until Bank revokes such Inability Determination or notifies Borrower that the circumstances giving rise to such Inability Determination no longer exist, as applicable. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. Notwithstanding any of the foregoing to the contrary, if a Benchmark Replacement is subsequently determined in accordance with applicable Benchmark Replacement Provisions, that Benchmark Replacement, plus any applicable margin, will become effective on the Benchmark Replacement Date and will then supersede the Prime Rate and margin determined in accordance with this provision. **BENCHMARK REPLACEMENT PROVISIONS**.



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4 BN 78312754v4 Notwithstanding anything to the contrary contained in this Note or in any related loan document (for the purposes of these Benchmark Replacement Provisions, a swap agreement by and between Borrower and Bank or any of its affiliates is not a loan document): (a) Benchmark Replacement. If a Benchmark Transition Event occurs, the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes under this Note or under any related loan document. Any Benchmark Replacement will become effective on the applicable Benchmark Replacement Date without any further action or consent of Borrower. (b) Benchmark Replacement Conforming Changes. Bank will have the right to make Benchmark Replacement Conforming Changes from time to time and any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Borrower. (c) Notices; Standards for Decisions and Determinations. Bank will promptly notify Borrower of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by Bank pursuant to these Benchmark Replacement Provisions, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and will be made in its sole discretion and without Borrower consent. (d) Certain Defined Terms. As used in this Note, each of the following capitalized terms has the meaning given to such term below: "Benchmark" means, initially, Daily Simple SOFR; provided, however, that if a Benchmark Transition Event has occurred with respect to Daily Simple SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to the provisions of this Note. "Benchmark Administrator" means, initially, the SOFR Administrator or any successor administrator of the then-current Benchmark or any insolvency or resolution official with authority over such administrator. "Benchmark Replacement" means the sum of: (A) the alternate rate of interest that has been selected by Bank as the replacement for the then-current Benchmark; and (B) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Bank, in each case, giving due consideration to (x) any selection or recommendation by the Relevant Governmental Body at such time for a replacement rate, the mechanism for determining such a rate, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such rate, or (y) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the then-current Benchmark, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such alternate rate for U.S. dollar.

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5 BN 78312754v4 denominated syndicated or bilateral credit facilities at such time; provided, however, that if the Benchmark Replacement as determined as provided above would be less than the Benchmark Floor, then the Benchmark Replacement shall be deemed to be the Benchmark Floor, subject to any other applicable floor rate provision. "Benchmark Replacement Conforming Changes" means any technical, administrative or operational changes (including, without limitation, changes to the timing and frequency of determining rates and making payments of interest, prepayment provisions and other technical, administrative or operational matters) that Bank decides may be appropriate to reflect the adoption and implementation of a Benchmark Replacement and to permit the administration thereof by Bank. "Benchmark Replacement Date" means the date specified by Bank in a notice to Borrower following a Benchmark Transition Event. "Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark: a public statement or publication of information by or on behalf of the Benchmark Administrator or a regulatory supervisor for the Benchmark Administrator announcing that (A) the Benchmark Administrator has ceased or will cease to provide the Benchmark permanently or indefinitely or (B) the Benchmark is no longer, or as of a specified future date will no longer be, representative of underlying markets. "Relevant Governmental Body" means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto. BORROWING AND REPAYMENT. 1. Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. 2. Advances. Advances hereunder, to the total amount of the principal sum stated above and subject to the terms and conditions of the Credit Agreement defined below, may be made by the holder at the written request of (i) Borrower's Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such Executive Vice President, Chief Financial Officer.

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BN 78312754v4 account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower. 3. Application of Payments. Each payment made on this Note shall be credited first, to any interest and fees then due and second, to the outstanding principal balance hereof. 4. Maturity Date Payment in Full. Borrower shall pay all remaining unpaid principal and accrued interest due and payable in full on the earlier of demand by the Bank on the occurrence of an Event of Default or June 1, 2024, (the "Maturity Date"). PAYMENTS. If any payment of principal or interest to be made pursuant to this Note, other than a prepayment or a payment due on the Maturity Date of this Note, shall fall due on a day that is not a Federal Reserve Business Day, payment shall be made on the next succeeding Federal Reserve Business Day, except that, if such next succeeding Federal Reserve Business Day would fall in the next calendar month, such payment shall be made on the immediately preceding Federal Reserve Business Day. Any extension or contraction of time shall be reflected in computing interest or fees, as the case may be. SWAP AGREEMENT. Borrower understands and acknowledges that (i) any Swap Agreement constitutes an independent agreement between Borrower and Bank and will be unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Note, except as otherwise expressly provided in the Swap Agreement, (ii) nothing in this Note shall be construed as a modification of a Swap Agreement or create an obligation to amend a Swap Agreement, (iii) Borrower may incur losses or reductions in benefits related to differences between the economic terms and characteristics of this Note and those of a related Swap Agreement (including, without limitation, differences with respect to maturity dates, payment dates and methods for determining interest rates and differences between borrowings hereunder and the notional amount of a Swap Agreement), and Bank is under no obligation to ensure that there are no differences or that differences will not arise hereafter, including, without limitation, differences between usage hereunder and the notional amount of a Swap Agreement, and (iv) Bank has no obligation to modify, renew or extend the Maturity Date of this Note to match the maturity date of a Swap Agreement. For the purposes of this Note, "Swap Agreement" means any existing or future swap agreement by and between Borrower and Bank or any of its affiliates. EVENTS OF DEFAULT. This Note is made pursuant to and is subject to the terms and conditions of the Credit Agreement. Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note. MISCELLANEOUS. 1. Remedies. Upon the sale, transfer, hypothecation, assignment, or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further.



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7 BN 78312754v4 credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amount which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity. 2. Collateral Exclusion. No lien or security interest created by or arising under any deed of trust, mortgage, security deed, or similar real estate collateral agreement ("Lien Document") shall secure the Note Obligations unless such Lien Document specifically describes the promissory note(s), instrument(s) or agreement(s) evidencing Note Obligations as a part of the indebtedness secured thereby. This exclusion shall apply notwithstanding (i) the fact that such Lien Document may appear to secure the Note Obligations by virtue of a cross-collateralization provision or other provisions expanding the scope of the secured obligations, and (ii) whether such Lien Document was entered into prior to, concurrently with, or after the date hereof. As used herein, "Note Obligations" means any obligations under this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time, or under any other evidence of indebtedness that has been modified, renewed or extended in whole or in part by this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time. 3. Obligations joint and Several. The obligations of Borrower under this Note and the other Loan Documents shall be joint and several with all other obligors hereof and thereof. 4. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California, without reference to the conflicts of law or choice of law principles thereof.

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Fourth Amended and Restated Revolving Line of Credit Note IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above, MARCUS & MILICHAP, INC. By: Name: Title: /s/ Steve DeGennaro Steve DeGennaro Executive Vice President, Chief Financial Officer

Exhibit 31.1

**Certification of Chief Executive Officer of Marcus & Millichap, Inc. pursuant to
Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Hessam Nadji, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Exhibit 31.2

**Certification of Chief Financial Officer of Marcus & Millichap, Inc. pursuant to
Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Steven F. DeGennaro, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Exhibit 32.1

**Certifications of Chief Executive Officer and Chief Financial Officer of Marcus & Millichap, Inc. Pursuant to
Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Marcus & Millichap, Inc. on Form 10-Q for the period ended **June 30, 2023** **September 30, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Hessam Nadji, President and Chief Executive Officer of the Company, and Steven F. DeGennaro, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: **August 4, November 3, 2023**

/s/ Hessam Nadji

Hessam Nadji
President and Chief Executive Officer
(Principal Executive Officer)

Date: **August 4, November 3, 2023**

/s/ Steven F. DeGennaro

Steven F. DeGennaro
Chief Financial Officer
(Principal Financial Officer)

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