REFINITIV

DELTA REPORT

10-Q

COMP - COMPASS, INC.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	715
CHANGES	434
DELETIONS	133
ADDITIONS	148

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024 September 30, 2024

OR

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

For the transition period from ______ to ______

Commission File Number: 001-40291

COMPASS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**30-0751604**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
110 Fifth Avenue, 4th Floor New York, New York	**10011**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A Common Stock, $0.00001 par value per share	**COMP**	**The New York Stock Exchange**

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

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

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

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Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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

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

As of July 29, 2024 October 28, 2024, there were 505,199,755 510,307,191 shares of the registrant's common stock outstanding.

Compass, Inc.

Table of Contents

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- General economic conditions, economic and industry downturns, the health of the U.S. real estate industry, and risks generally incident to the ownership of residential real estate;
- The effect of monetary policies of the federal government and its agencies;
- High interest rates;
- Ongoing industry antitrust class action litigation (including the Antitrust Lawsuits filed against us) or any related regulatory activities;
- Any decreases in our gross commission income or the percentage of commissions that we collect;
- Declining Low home inventory levels;
- Our ability to carefully manage our expense structure;
- Adverse economic, real estate or business conditions in geographic areas where our business is concentrated and/or impacting high-end markets;
- Our ability to continuously innovate, improve and expand our platform, including tools and features integrating machine learning and artificial intelligence, or AI;
- Our ability to expand our operations and to offer additional integrated services;
- Our ability to realize the expected benefits from joint ventures;
- Our ability to compete successfully;
- Our ability to attract and retain highly qualified personnel and to recruit agents;
- Our ability to re-accelerate our business growth given our current expense structure;
- Use of cash to satisfy tax withholding obligations that arise in connection with settlements of RSU awards;
- Fluctuations in our quarterly results and other operating metrics;
- The loss of one or more of our key personnel;
- Actions by our agents or employees that could adversely affect our reputation and subject us to liability;
- Our ability to pursue acquisitions that are successful and can be integrated into our existing operations;
- Changes in mortgage underwriting standards;
- Our ability to maintain or establish relationships with third-party service providers;
- The impact of cybersecurity incidents and the potential loss of critical and confidential information;
- The reliability of our fraud detection processes and information security systems;
- Depository banks not honoring our escrow and trust deposits;
- Adoption of alternatives to full-service agents by consumers;
- Our ability to develop and maintain an effective system of disclosure controls and internal control over financial reporting;
- Covenants in our debt agreements that may restrict our borrowing capacity or operating activities;
- Our ability to use net operating losses and other tax attributes;

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- Changes in, and our reliance on, accounting standards, assumptions, estimates and business data;
- The dependability of our platform and software;
- Our ability to maintain our company culture;
- Our ability to obtain or maintain adequate insurance coverage;
- Processing, storage, and use of personal information and other data, and compliance with privacy laws and regulations;
- Natural disasters and catastrophic events;
- The effect of the claims, lawsuits, government investigations, and other proceedings;
- Changes in federal or state laws that would require our agents to be classified as employees;
- Compliance with applicable laws and regulations and changes to applicable laws and regulations;
- Our ability to protect our intellectual property rights, and our reliance on the intellectual property rights of third parties;
- The impact of having a multi-class structure of common stock; and
- Other factors set forth under Part I, Item 1A, “Risk Factors” in our 2023 Form 10-K.

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

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

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Compass, Inc.

Condensed Consolidated Balance Sheets

(In millions, except share and per share data, unaudited)

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Assets		
Current Assets		
Current Assets		
Current Assets		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable, net of allowance of $8.4 and $8.6, respectively		
Compass Concierge receivables, net of allowance of $11.1 and $13.2, respectively		
Accounts receivable, net of allowance of $7.0 and $8.6, respectively		
Compass Concierge receivables, net of allowance of $10.4 and $13.2, respectively		

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Other current assets		
Total current assets		
Property and equipment, net		
Operating lease right-of-use assets		
Intangible assets, net		
Goodwill		
Other non-current assets		
Total assets		
Liabilities and Stockholders' Equity		
Current liabilities		
Current liabilities		
Current liabilities		
Accounts payable		
Accounts payable		
Accounts payable		
Commissions payable		
Accrued expenses and other current liabilities		
Current lease liabilities		
Concierge credit facility		
Total current liabilities		
Total current liabilities		
Total current liabilities		
Non-current lease liabilities		
Other non-current liabilities		
Total liabilities		
Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)
Stockholders' equity	Stockholders' equity	Stockholders' equity
Common stock, $0.00001 par value, 13,850,000,000 shares authorized at June 30, 2024 and December 31, 2023; 501,172,106 shares issued and outstanding at June 30, 2024; 484,893,266 shares issued and outstanding at December 31, 2023		
Common stock, $0.00001 par value, 13,850,000,000 shares authorized at September 30, 2024 and December 31, 2023; 507,581,054 shares issued and outstanding at September 30, 2024; 484,893,266 shares issued and outstanding at December 31, 2023		
Additional paid-in capital		
Accumulated deficit		
Total Compass, Inc. stockholders' equity		
Non-controlling interest		
Total stockholders' equity		
Total liabilities and stockholders' equity		

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

Compass, Inc.

Condensed Consolidated Statements of Operations

(*In millions, except share and per share data, unaudited*)

	Three Months Ended June 30,	Six Months Ended June 30,

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	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Revenue									
Operating expenses:									
Commissions and other related expense									
Commissions and other related expense									
Commissions and other related expense									
Sales and marketing									
Operations and support									
Research and development									
General and administrative									
Restructuring costs									
Depreciation and amortization									
Total operating expenses									
Income (loss) from operations									
Loss from operations									
Investment income, net									
Interest expense									
Income (loss) before income taxes and equity in loss of unconsolidated entity									
Loss before income taxes and equity in income (loss) of unconsolidated entity									
Income tax benefit									
Equity in loss of unconsolidated entity									
Net income (loss)									
Net income attributable to non-controlling interests									
Net income (loss) attributable to Compass, Inc.									
Net income (loss) per share attributable to Compass, Inc., basic									
Net income (loss) per share attributable to Compass, Inc., diluted									
Weighted-average shares used in computing net income (loss) per share attributable to Compass, Inc., basic									
Weighted-average shares used in computing net income (loss) per share attributable to Compass, Inc., diluted									
Equity in income (loss) of unconsolidated entity									
Net loss									
Net loss (income) attributable to non-controlling interests									
Net loss attributable to Compass, Inc.									
Net loss per share attributable to Compass, Inc., basic and diluted									
Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted									
Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted									
Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted									

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

Compass, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In millions, except share amounts, unaudited)

Common Stock

Common Stock

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	Common Stock
	Shares
	Shares
	Shares
For the three months ended June 30, 2024:	
For the three months ended June 30, 2024:	
For the three months ended June 30, 2024:	
Balances at March 31, 2024	
Balances at March 31, 2024	
Balances at March 31, 2024	
Net income	
Net income	
Net income	
For the three months ended September 30, 2024:	
For the three months ended September 30, 2024:	
For the three months ended September 30, 2024:	
Balances at June 30, 2024	
Balances at June 30, 2024	
Balances at June 30, 2024	
Net loss	
Net loss	
Net loss	
Issuance of common stock in connection with acquisitions	
Issuance of common stock in connection with acquisitions	
Issuance of common stock in connection with acquisitions	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock under the Employee Stock Purchase Plan	
Issuance of common stock under the Employee Stock Purchase Plan	
Stock-based compensation	
Stock-based compensation	
Stock-based compensation	
Balances at June 30, 2024	
Balances at June 30, 2024	
Balances at June 30, 2024	
For the three months ended June 30, 2023:	
For the three months ended June 30, 2023:	
For the three months ended June 30, 2023:	
Balances at March 31, 2023	
Balances at March 31, 2023	
Balances at March 31, 2023	
Net loss	
Net loss	
Net loss	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	

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Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Vesting of early exercised stock options
Vesting of early exercised stock options
Vesting of early exercised stock options
Issuance of common stock under the Employee Stock Purchase Plan
Stock-based compensation
Stock-based compensation
Stock-based compensation
Balances at September 30, 2024
Balances at September 30, 2024
Balances at September 30, 2024
For the three months ended September 30, 2023:
For the three months ended September 30, 2023:
For the three months ended September 30, 2023:
Balances at June 30, 2023
Balances at June 30, 2023
Balances at June 30, 2023
Net loss
Net loss
Net loss
Issuance of common stock in connection with acquisitions
Issuance of common stock in connection with acquisitions
Issuance of common stock in connection with acquisitions
Issuance of common stock upon exercise of stock options
Issuance of common stock upon exercise of stock options
Issuance of common stock upon exercise of stock options
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock in connection with the Strategic Transaction
Issuance of common stock in connection with the Strategic Transaction
Issuance of common stock in connection with the Strategic Transaction
Stock-based compensation
Stock-based compensation
Stock-based compensation
Other activity related to non-controlling interests
Other activity related to non-controlling interests
Other activity related to non-controlling interests
Balances at June 30, 2023
Balances at June 30, 2023
Balances at June 30, 2023
Balances at September 30, 2023
Balances at September 30, 2023
Balances at September 30, 2023

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

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Compass, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In millions, except share amounts, unaudited)

	Common Stock
	Common Stock
	Common Stock
	Shares
	Shares
	Shares
For the six months ended June 30, 2024:	
For the six months ended June 30, 2024:	
For the six months ended June 30, 2024:	
For the nine months ended September 30, 2024:	
For the nine months ended September 30, 2024:	
For the nine months ended September 30, 2024:	
Balances at December 31, 2023	
Balances at December 31, 2023	
Balances at December 31, 2023	
Net loss	
Net loss	
Net loss	
Issuance of common stock in connection with acquisitions	
Issuance of common stock in connection with acquisitions	
Issuance of common stock in connection with acquisitions	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon exercise of stock options	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock upon settlement of RSUs, net of taxes withheld	
Issuance of common stock under the Employee Stock Purchase Plan	
Issuance of common stock under the Employee Stock Purchase Plan	
Issuance of common stock under the Employee Stock Purchase Plan	
Stock-based compensation	
Stock-based compensation	
Stock-based compensation	
Balances at June 30, 2024	
Balances at September 30, 2024	
Balances at June 30, 2024	
Balances at September 30, 2024	
Balances at June 30, 2024	
For the six months ended June 30, 2023:	
For the six months ended June 30, 2023:	
For the six months ended June 30, 2023:	
Balances at September 30, 2024	
For the nine months ended September 30, 2023:	
For the nine months ended September 30, 2023:	
For the nine months ended September 30, 2023:	
Balances at December 31, 2022	
Balances at December 31, 2022	
Balances at December 31, 2022	

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Net loss
Net loss
Net loss
Issuance of common stock in connection with acquisitions
Issuance of common stock in connection with acquisitions
Issuance of common stock in connection with acquisitions
Issuance of common stock upon exercise of stock options
Issuance of common stock upon exercise of stock options
Issuance of common stock upon exercise of stock options
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Issuance of common stock upon settlement of RSUs, net of taxes withheld
Vesting of early exercised stock options
Vesting of early exercised stock options
Vesting of early exercised stock options
Issuance of common stock in connection with the 2022 Agent Equity Program
Issuance of common stock in connection with the 2022 Agent Equity Program
Issuance of common stock in connection with the 2022 Agent Equity Program
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock under the Employee Stock Purchase Plan
Issuance of common stock in connection with the Strategic Transaction
Issuance of common stock in connection with the Strategic Transaction
Issuance of common stock in connection with the Strategic Transaction
Stock-based compensation
Stock-based compensation
Stock-based compensation
Other activity related to non-controlling interests
Other activity related to non-controlling interests
Other activity related to non-controlling interests
Balances at June 30, 2023
Balances at June 30, 2023
Balances at June 30, 2023
Balances at September 30, 2023
Balances at September 30, 2023
Balances at September 30, 2023

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

Compass, Inc.

Condensed Consolidated Statements of Cash Flows

(In millions, unaudited)

		Six Months Ended June 30,			Nine Months Ended September 30,	
		2024	2023		2024	2023
Operating Activities	**Operating Activities**			**Operating Activities**		
Net loss						
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization						

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Stock-based compensation		
Equity in loss of unconsolidated entity		
Change in acquisition related contingent consideration		
Bad debt expense		
Amortization of debt issuance costs		
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:	Changes in operating assets and liabilities:
Accounts receivable		
Compass Concierge receivables		
Other current assets		
Other non-current assets		
Operating lease right-of-use assets and operating lease liabilities		
Accounts payable		
Commissions payable		
Accrued expenses and other liabilities		
Net cash provided by (used in) operating activities		
Net cash provided by operating activities		
Investing Activities	**Investing Activities**	**Investing Activities**
Investment in unconsolidated entity		
Investment in unconsolidated entity		
Investment in unconsolidated entity		
Capital expenditures		
Payments for acquisitions, net of cash acquired		
Net cash used in investing activities		
Financing Activities	**Financing Activities**	**Financing Activities**
Proceeds from exercise of stock options		
Proceeds from issuance of common stock under Employee Stock Purchase Plan		
Taxes paid related to net share settlement of equity awards		
Proceeds from drawdowns on Concierge credit facility		
Repayments of drawdowns on Concierge credit facility		
Proceeds from drawdowns on Revolving credit facility		
Repayments of drawdowns on Revolving credit facility		
Payments related to acquisitions, including contingent consideration		
Payments related to acquisitions, including contingent consideration		
Proceeds from issuance of common stock in connection with the Strategic Transaction		
Payments related to acquisitions, including contingent consideration		
Other		
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		
Supplemental disclosures of cash flow information:	**Supplemental disclosures of cash flow information:**	**Supplemental disclosures of cash flow information:**
Cash paid for interest		
Supplemental non-cash information:	**Supplemental non-cash information:**	**Supplemental non-cash information:**
Issuance of common stock for acquisitions		

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

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Compass, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business and Basis of Presentation

Description of the Business

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

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

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

Basis of Presentation

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

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

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

Liquidity

Since inception, Throughout 2023 and through the Company has primarily generated negative cash flows from operations and has primarily financed operations from net proceeds from the issuance first nine months of convertible preferred stock and common stock. In addition, 2024, a number of macroeconomic conditions including rising inflation and rapidly rising mortgage interest rates, have contributed to a slowdown in the U.S. residential real estate market, which has had an adverse impact on the Company’s business and may continue market. In response to adversely impact the Company’s business in the future.

During the years ended December 31, 2023 and 2022, these conditions, the Company enacted various restructuring actions designed to improve the alignment between the Company’s organizational structure and its long-term business strategy, drive cost efficiencies enabled by the Company’s technology and other competitive advantages and continue to drive toward profitability and positive free cash flow. As Additionally, as part of its nationwide class action settlement of the residential real estate market antitrust claims, NAR agreed to implement certain industry-wide practice changes, including, but not limited to, prohibiting buyer brokers' offers of compensation from being included in listings on Multiple Listing Services and related transaction volumes may remain challenging throughout 2024, operating losses and negative cash flows from operations will continue for certain quarterly periods requiring a buyer to enter into a written agreement with their agent that would set forth the buyer broker's fee before showing the buyer a property. These changes went into effect in mid-August. While the foreseeable future. The Company will continue continues to assess the impact that changing macroeconomic factors effects of the ongoing slowdown and the slowdown of the U.S. residential real estate market, as well as other factors such as litigation risks, will have recent industry-wide changes on its business and may need financial results, the ultimate impact will depend on future developments, which are highly uncertain and difficult to adjust its operations, including further operating expense reductions, predict, as necessary. There is no assurance well as the actions that the Company has taken, or will be successful in further adjusting take, to minimize any current and future impact on its operating expenses to align to the changing real estate market conditions. revenue, profitability, or liquidity.

As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company held cash and cash equivalents of approximately $185.8 million $211.2 million and $166.9 million, respectively. Additionally, the Company has a Revolving Credit Facility that matures in March 2026, which it can draw upon provided it maintains continued compliance with certain financial and non-financial covenants. As of June 30, 2024 September 30, 2024, the Company had $295.1 million available to be drawn under the Revolving Credit Facility. Further, the Company is in compliance with each of the financial and non-financial covenants under the Revolving Credit Facility. See Note 5 — "Debt" for further details. The Company's operating cash flows vary depending on the seasonality of the real estate business. The Company believes that it will have sufficient liquidity from cash on hand, its Revolving Credit Facility and future operations to sustain its business operations for the next twelve months and beyond.

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2. Summary of Significant Accounting Policies

Use of Estimates

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

Business Combinations

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

Stock-Based Compensation

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

For stock options, which the Company issues to employees, affiliated agents and in certain cases in connection with business combinations, the Company generally estimates the fair value using the Black-Scholes option pricing model,

which requires the input of subjective assumptions, including (1) the fair value of common stock, (2) the expected stock price volatility, (3) the expected term of the award, (4) the risk-free interest rate and (5) expected dividends.

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

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

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

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

New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes - Improvements to Income Tax Disclosures*. This standard includes enhanced income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid for annual periods. The amendments in this update are effective for public companies with fiscal years beginning

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after December 15, 2024, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The update will require public entities to disclose significant segment expenses that are regularly provided to the chief operating decision maker and included within segment profit and loss. The amendments are effective for the Company's annual periods beginning January 1, 2024, and interim periods beginning January 1, 2025, with early adoption permitted, and will be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating the impact of the adoption of this standard to determine its impact on the Company's disclosures.

3. Acquisitions

During the three months ended June 30, 2024, the Company completed the acquisition of 100% of the ownership interests in Latter & Blum Holdings, LLC and Parks Village Nashville, LLC, two residential real estate brokerages, and during the three months ended March 31, 2024, the Company completed the acquisition of 100% ownership interest in a title insurance and escrow settlement services company. The purpose of these acquisitions was to expand the Company's existing brokerage business and title and escrow presence in key domestic markets. The Company has accounted for these acquisitions as business combinations.

The consideration for the acquisitions completed during the six nine months ended June 30, 2024 September 30, 2024 is comprised of $22.0 million $26.1 million in the Company's Class A common stock, $18.0 million $21.3 million of cash paid at or near closing, net of cash acquired, an additional $9.8 million $2.7 million to be paid in cash and the Company's Class A common stock at a later date and an estimated $7.4 million $7.1 million of additional Class A common stock or cash that may be paid contingent on certain earnings-based targets being met at various payment dates through 2027. Payments in excess of the original estimate may impact the Company's statement of operations in future periods. The future consideration amounts were recorded within Accrued expenses and other current liabilities and Other non-current liabilities in the condensed consolidated balance sheet.

For the six nine months ended June 30, 2024 September 30, 2024, the fair value of the assets acquired and the liabilities assumed, related to the 2024 acquisitions, primarily resulted in the recognition of: $28.7 million of customer relationships; $2.4 million of trademark intangible assets; $20.2 million $20.1 million of other current and non-current assets; and $18.9 million of current and non-current non-

current liabilities. The excess of the aggregate purchase price over the aggregate fair value of the acquired net assets was recorded as goodwill of $24.8 million $24.9 million. Goodwill represents the expected synergies from combining the acquired assets and the operations of the acquirer as well as the intangible assets that do not qualify for separate recognition. The acquired intangible assets are being amortized over the estimated useful lives of approximately 5 to 6 years.

Approximately $9.8 million of the goodwill recorded during the six nine months ended June 30, 2024 September 30, 2024 is deductible for tax purposes. The amount of tax-deductible goodwill may increase in the future to approximately $17.2 million $17.0 million dependent on the payment of certain contingent consideration arrangements. These amounts are not expected to have an impact on the income tax provision while the Company maintains a full valuation allowance on its U.S. deferred tax assets.

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

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

Contingent Consideration

Contingent consideration represents obligations of the Company to transfer cash and common stock to the sellers of certain acquired businesses in the event that certain targets and milestones are met. As of June 30, 2024 September 30, 2024, the undiscounted estimated payment under these arrangements was $40.5 $39.7 million. Changes in contingent consideration measured at fair value on a recurring basis were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Opening balance								
Acquisitions								
Acquisitions and measurement period adjustments								
Payments								
Changes in fair value included in net income (loss)								
Changes in fair value included in net loss								
Closing balance								

Other Acquisition-Related Arrangements

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In connection with the Company’s acquisitions, certain amounts paid or to be paid to selling shareholders are subject to clawback and forfeiture dependent on certain employees and agents providing continued service to the Company. These retention-based payments are accounted for as compensation for future services and the Company recognizes the expenses over the service period. As of June 30, 2024 September 30, 2024, the Company expects to pay up to an additional $2.6 million in future compensation to such selling shareholders in connection with these arrangements. For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized income of $1.1 million and expense of $2.0 million $0.1 million and $2.1 million, respectively, within Operations and support in the condensed consolidated statements of operations related to these arrangements. Expense related to these arrangements was immaterial for the three and six nine months ended June 30, 2024 September 30, 2024.

4. Fair Value of Financial Assets and Liabilities

The Company’s cash and cash equivalents of $185.8 million $211.2 million and $166.9 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, are held in cash and money market funds, which are classified as Level 1 within the fair value hierarchy because they are valued using quoted prices in active markets. These are the Company’s only Level 1 financial instruments. The Company does not hold any Level 2 financial instruments. The Company’s contingent consideration liabilities of $26.9 million $26.6 million and $20.9 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, are the Company’s only Level 3 financial instruments.

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

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Accrued expenses and other current liabilities				
Other non-current liabilities				
Total contingent consideration				

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

Level 3 Financial Liabilities

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

5. Debt

Concierge Credit Facility

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

Borrowings under the Concierge Facility bear interest at the term SOFR rate plus a margin of 2.75%. The two year commitment fee is 0.35% if the Concierge Facility is utilized greater than 50% and 0.50%, if the Concierge Facility is utilized less than 50%. On August 4, 2023, the revolving period under the Concierge Facility was extended to August 3, 2025. The interest rate on the drawn down portion of the Concierge Facility was 8.25% 8.00% as of June 30, 2024 September 30, 2024. Pursuant to the Concierge Facility, the principal amount, if any, is payable in full in January 2026, unless earlier terminated or extended.

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

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

Revolving Credit Facility

In March 2021, the Company entered into a Revolving Credit and Guaranty Agreement (the “Revolving Credit Facility”) with Barclays Bank PLC, as administrative agent and as collateral agent (the "Administrative Agent"), and certain other lenders, which was subsequently amended on May 1, 2023. The Revolving Credit Facility provides for a $350.0

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million revolving credit facility, subject to the terms and conditions of the Revolving Credit Facility. The Revolving Credit Facility also includes a letter of credit sublimit which is the lesser of (i) $125.0 million and (ii) the aggregate unused amount of the revolving commitments then in effect under the Revolving Credit Facility. The Company's obligations under the Revolving Credit Facility are guaranteed by certain of the Company's subsidiaries and are secured by a first priority security interest in substantially all of the assets of the Company and the Company's subsidiary guarantors.

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

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

The Company has the option to repay the Company's borrowings, and to permanently reduce the loan commitments in whole or in part, under the Revolving Credit Facility without premium or penalty prior to maturity. As of June 30, 2024 September 30, 2024, there were no borrowings outstanding under the Revolving Credit Facility and outstanding letters of credit under the Revolving Credit Facility totaled approximately $54.9 million.

The Revolving Credit Facility contains customary representations, warranties, financial covenants applicable to the Company and its restricted subsidiaries, affirmative covenants, such as financial statement reporting requirements, and negative covenants which restrict their ability, among other things, to incur liens and indebtedness, make certain investments, declare dividends, dispose of, transfer or sell assets, make stock repurchases and consummate certain other matters, all subject to certain exceptions. The financial covenants require that (i) the Company maintains liquidity of at least $150.0 million as of the last day of each fiscal quarter and each date of a credit extension and (ii) the Company's consolidated total revenue as of the last day of each fiscal quarter be equal to or greater than the specified amount corresponding to such period. Minimum liquidity is defined as unused amounts under the $350.0 million Revolving Credit Facility plus the unrestricted cash of Compass and its restricted subsidiaries. The minimum required consolidated revenue threshold for the trailing four fiscal quarters is $3,799.0 million $4,668.0 million during 2023 2024 and $4,668.0 million thereafter. As of June 30, 2024 September 30, 2024, the Company was in compliance with the financial covenants under the Revolving Credit Facility.

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

6. Commitments and Contingencies

Legal Proceedings

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

Claims or regulatory actions against the Company, whether meritorious or not, could have an adverse impact on the Company due to legal costs, diversion of management resources and other elements. Except as identified with respect to the matters below, the Company does not believe that the outcome of any individual existing legal or regulatory proceeding to which it is a party will have a material adverse effect on its results of operations, financial condition or overall business in each case, taken as a whole.

Real Estate Commission Sell-Side Antitrust Litigation

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

Four of the putative class action lawsuits, captioned Gibson, et al. v. National Association of Realtors, et al., No. 4:23-cv-00788-FJG (W.D. Mo.) ("Gibson"), filed on October 31, 2023, Grace v. National Association of Realtors, et al., No. 3:23-cv-06352 (N.D. Cal.) ("Grace"), filed on December 8, 2023, Fierro, et al. v. National Association of Realtors, et al., Case No. 2:24-cv-00449 (C.D. Cal.) ("Fierro"), filed on January 17, 2024, and Whaley v. Arizona Association of Realtors, Case No. 2:24-cv-00105 (D. Nev.) ("Whaley"), filed on January 15, 2024, name the Company as a defendant and allege, among other things, that certain trade associations, including the National Association of Realtors, multiple listing services, and real estate brokerages engaged in a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. Umpa, et al. v. National Association of Realtors, et al., 4:23-cv-00945 (W.D. Mo.) ("Umpa"), filed on December 27, 2023, was consolidated into the Gibson matter on April 23, 2024. Boykin v. National Association of Realtors, et al., No. 2:24-cv-00340 (D. Nev.) ("Boykin"), filed on February 16, 2024, was terminated and consolidated into the Whaley matter on March 20, 2024. The plaintiffs in the Gibson and Umpa matters allege a nationwide scope, while the Grace and Fierro matters are limited in scope to Northern California and Southern California, respectively and the Whaley matter is limited in scope to Nevada. The Grace, Fierro and Whaley matters are stayed pending final approval of the settlement agreement.

On December 27, 2023, plaintiffs in the Gibson and Umpa matters filed a motion before the United States Judicial Panel on Multidistrict Litigation ("JPML"), captioned In re Real Estate Commission Litigation, No. 48 (J.P.M.L.), seeking to transfer and consolidate for pretrial proceedings the Gibson, Umpa, Grace, March, QJ Team, Martin, and three additional putative class actions to which the Company has not been named as a party, to one multidistrict litigation. On April 12, 2024, the JPML denied consolidation at this time based on the procedural posture of the litigation and recent nationwide class settlements.

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On March 21, 2024, the Company entered into a settlement agreement to resolve the Gibson and Umpa cases on a nationwide basis. The settlement resolves all claims in these cases and similar claims in other lawsuits alleging claims on behalf of sellers on a nationwide basis against the Company and its subsidiaries (collectively, the “Claims”) and releases the Company, its subsidiaries and affiliated agents from the Claims. Under the settlement agreement, the Company agreed to pay $57.5 million and make certain changes to its business practices. The Gibson and Umpa matters were stayed as to Compass on March 25, 2024. The court preliminarily approved the proposed settlement agreement on April 30, 2024. The settlement agreement remains subject to final court approval and will become effective upon such final approval. The hearing on the Company’s motion for final approval of the settlement agreement was granted on October 31, 2024 and the settlement agreement is scheduled for October 31, 2024 now effective. Plaintiffs may appeal the final approval ruling before December 2, 2024.

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

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

Wang v. National Ass’n of Realtors et al., Case No. 1:24-cv-02371 (S.D.N.Y.) (“Wang”), an individual lawsuit filed on March 28, 2024, names the Company as a defendant and alleges, among other things, that certain trade associations, including the National Association of Realtors and the Real Estate Board of New York, and a number of real estate brokerages engaged in a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 by entering into a continuing agreement to require sellers of residential property to make inflated payments to brokers representing buyers. Co-defendants in the Wang matter filed a Motion to Stay the matter on June 14, 2024, pending final approval of the settlement agreement. The Wang matter is stayed until November 26, 2024.

During the three months ended March 31, 2024, the Company recognized an expense of $57.5 million within General and administrative expense in the condensed consolidated statements of operations in connection with the proposed settlement agreement. 50% of the proposed settlement was paid during the three months ended June 30, 2024. The remaining 50% is expected to be paid during the second quarter of 2025.

Batton, et al. v. Compass, Inc., et al.

Batton, et al. v. Compass, Inc., et al., No. 1:23-cv-15618 (N.D. Ill.) (“Batton II”), filed on November 2, 2023, names the Company and seven other brokerages as defendants and alleges that the defendants entered into a continuing contract, combination, or conspiracy to unreasonably restrain interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1 and state law antitrust statutes, violated state consumer protection statutes, and were unjustly enriched by industry rules that set the manner by which buyer’s brokers are compensated. The allegations in Batton II are substantially similar to those contained in the case captioned Batton, et al. v. National Association of Realtors, et al., No. 1:21-cv-00430 (N.D. Ill.) (“Batton I”), filed on January 25, 2021, which does not name the Company but names the National Association of Realtors and six other brokerages. The Company and the defendants in the Batton II matter filed a motion to dismiss the amended complaint on June 21, 2024. The plaintiffs filed an opposition to the motion to dismiss on August 5, 2024 and the Company and the defendants filed a reply on September 4, 2024.

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

Letter of Credit Agreements

The Company has irrevocable letters of credit with various financial institutions, primarily related to security deposits for leased facilities. As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company was contingently liable for $54.9 million and $44.4 million, respectively, under these letters of credit. As of June 30, 2024 September 30, 2024, $54.9 million of these letters of credit were collateralized by the Revolving Credit Facility. As of December 31, 2023, $43.8 million and $0.6 million of these letters of credit were collateralized by the Revolving Credit Facility and the Company's cash and cash equivalents, respectively.

Escrow and Trust Deposits

As a service to its home buyers and sellers, the Company administers escrow and trust deposits, which represent undistributed amounts for the settlement of real estate transactions. The escrow and trust deposits totaled $270.0 million $246.1 million and $120.0 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. These deposits are not assets of the Company and therefore are excluded from the accompanying condensed consolidated balance sheets. However, the Company remains contingently liable for the disposition of these deposits.

7. Preferred Stock and Common Stock

Undesignated Preferred Stock

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

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Common Stock

In February 2021, the Company approved the establishment of Class C common stock and an agreement with the Company's CEO to exchange his Class A common stock for Class C common stock. Any Class A common stock issued to the Company's CEO from RSU awards granted prior to February 2021 are able to be exchanged for Class C common stock. Each share of Class C common stock is entitled to twenty votes per share and will be convertible at any time into one share of Class A common stock and will automatically convert into Class A common stock under certain "sunset"

provisions. Other than certain permitted transfers for estate planning purposes, upon a transfer of Class C common stock, the Class C common stock will convert into Class A common stock.

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

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

	June 30, 2024		September 30, 2024			
	Shares Authorized	Shares Issued	Shares Outstanding	Shares Authorized	Shares Issued	Shares Outstanding
Class A common stock						
Class B common stock						
Class C common stock						
Total						

	December 31, 2023		
	Shares Authorized	Shares Issued	Shares Outstanding
Class A common stock	12,500,000,000	465,633,122	465,633,122
Class B common stock	1,250,000,000	—	—
Class C common stock	100,000,000	19,260,144	19,260,144
Total	13,850,000,000	484,893,266	484,893,266

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

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

Strategic Transaction

In August 2023, the Company entered into a definitive asset purchase agreement with a Canadian real estate proptech company (the "Strategic Transaction") under which the Company received $32.3 million of cash in exchange for 9.0 million shares of Class A common stock and committed to make an additional contingent payment in the form of Class A common stock or cash, as determined by the Company. The contingent payment was dependent on a volume-weighted stock price target for the Company's Class A common stock and was payable up to a maximum of $5.5 million in May 2025 (unless the volume-weighted stock price target is triggered). During the three months ended June 30, 2024, the volume-weighted price target was met and the Company was released of its liability to make any additional payment in connection with this arrangement.

8. Stock-Based Compensation

2012 Stock Incentive Plan

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

2021 Equity Incentive Plan

In February 2021, the Company's board of directors and stockholders adopted and approved the 2021 Equity Incentive Plan (the "2021 Plan"), with an initial pool of 29.7 million shares of common stock available for granting stock-based awards plus any reserved shares of common stock not issued or subject to outstanding awards granted under the 2012 Plan.

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In addition, on January 1st of each year beginning in 2022 and continuing through 2031, the aggregate number of shares of common stock authorized for issuance under the 2021 Plan shall be increased automatically by the number of shares equal to 5% of the total number of outstanding shares of common stock and outstanding shares of preferred stock (on an as converted to common stock basis) on the immediately preceding December 31st, although the Company's board of directors or one of its committees may reduce the amount of such increase in any particular year. The 2021 Plan became effective on March 30, 2021 and as of that date, the Company ceased granting new awards under the 2012 Plan and all remaining shares available under the 2012 Plan were transferred to the 2021 Plan. Effective January 1, 2024, the shares available for future grants were increased by an additional 24.2 million shares as a result of the annual increase provision described above. As of June 30, 2024 September 30, 2024, there were 61.0 million 59.7 million shares available for future grants under the 2021 Plan, inclusive of those shares transferred from the 2012 Plan.

2021 Employee Stock Purchase Plan

In February 2021, the Company's board of directors and stockholders adopted and approved the 2021 Employee Stock Purchase Plan (the "ESPP"), with an initial pool of 7.4 million shares of Class A common stock available for authorized purchase rights to the Company's employees or to employees of its designated affiliates. In addition, on January 1st of each year beginning in 2022 and continuing through 2031, the aggregate number of shares of common stock authorized for issuance under the ESPP shall be increased automatically by the number of shares equal to 1% of the total number of outstanding shares of common stock and outstanding shares of preferred stock (on an as converted to common stock basis) on the immediately preceding December 31st, although the Company's board of directors or one of its committees may reduce the amount of the increase in any particular year. No more than 150.0 million shares of common stock may be issued over the term of the ESPP, subject to certain exceptions set forth in the ESPP. Effective January 1, 2024, the authorized shares increased by 4.7 million shares as a result of the annual increase provision described above. As of June 30, 2024 September 30, 2024, 18.4 million 18.1 million shares of Class A common stock remain available for grant under the ESPP.

The ESPP permits employees to purchase shares of the Company's Class A common stock through payroll deductions accumulated during six-month offering periods up to a maximum value of $12,500 per offering period. The offering periods begin each February and August, or such other period determined by the Compensation Committee. On each purchase date, eligible employees may purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's Class A common stock on the first trading day of the offering period, or (2) the fair market value of the Company's Class A common stock on the purchase date, as defined in the ESPP. During the six nine months ended June 30, 2024 September 30, 2024, the Company issued 0.4 million 0.7 million shares of Class A common stock under the ESPP.

The Company recognized $0.2 million and $0.5 million $0.7 million of stock-based compensation expense related to the ESPP during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and $0.4 million and $0.7 million $1.0 million during the three and six nine months ended June 30, 2023 September 30, 2023, respectively. As of June 30, 2024 September 30, 2024, $1.0 $0.4 million has been withheld on behalf of employees for a future purchase under the ESPP.

Stock Options

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

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (1)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (1)
Balance as of December 31, 2023								
Granted								
Exercised								
Exercised								
Exercised								
Forfeited								
Forfeited								
Forfeited								
Balance as of June 30, 2024								
Balance as of June 30, 2024								
Balance as of June 30, 2024								
Exercisable and vested at June 30, 2024								
Balance as of September 30, 2024								
Balance as of September 30, 2024								
Balance as of September 30, 2024								
Exercisable and vested at September 30, 2024								

(1) The aggregate intrinsic values have been calculated using the Company's closing stock prices of $3.60 $6.11 and $3.76 as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

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During the six nine months ended June 30, 2024 September 30, 2024 and 2023, the intrinsic value of options exercised was $5.2 million $7.3 million and $4.9 million $5.9 million, respectively.

Restricted Stock Units

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

	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Balance as of December 31, 2023				
Granted				
Vested and converted to common stock (1)				
Forfeited				
Balance as of June 30, 2024				
Balance as of September 30, 2024				

(1) During the six nine months ended June 30, 2024 September 30, 2024, the Company net settled all RSUs through which it issued an aggregate of 11.6 million 18.2 million shares of Class A common stock and withheld an aggregate of 4.1 million 6.1 million shares of Class A common stock to satisfy $14.1 $21.8 million of tax withholding obligations on behalf of the Company's employees.

Agent Equity Program

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

Stock-Based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Commissions and other related expense								
Sales and marketing								
Operations and support								
Research and development								
General and administrative								
Total stock-based compensation expense								

As of June 30, 2024 September 30, 2024, unrecognized stock-based compensation expense totaled $151.6 million $138.0 million and is expected to be recognized over a weighted-average period of 1.9 2.0 years.

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

9. Income Taxes

The Company recognized $0.1 million $0.3 million and $0.4 million $0.7 million of income tax benefit for the three and six nine months ended June 30, 2024 September 30, 2024. This benefit resulted from a partial reduction in the valuation allowance related to the carryover tax basis in deferred tax liabilities from acquisitions netted with the recognition of deferred tax assets in India and state income tax expense. Additionally, the Company incurred current tax expense from its operations in India, which was offset by a deferred tax benefit for future alternative minimum tax credits. India. The Company recognized no a $0.5 million benefit from income taxes for the three and six nine months ended June 30, 2023 September 30, 2023.

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

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

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

10. Net Income (Loss) Loss Per Share Attributable to Compass, Inc.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic net income (loss) per share:				
Numerator:				
Net income (loss) attributable to Compass, Inc.	$ 20.7	$ (47.8)	$ (112.2)	$ (198.2)
Denominator:				
Weighted-average shares used in computing net income (loss) per share attributable to Compass, Inc., basic	498,664,877	460,960,349	494,332,571	455,538,666
Net income (loss) per share attributable to Compass, Inc., basic	$ 0.04	$ (0.10)	$ (0.23)	$ (0.44)
Diluted net income (loss) per share:				
Numerator:				
Net income (loss) attributable to Compass, Inc.	$ 20.7	$ (47.8)	$ (112.2)	$ (198.2)
Denominator:				
Number of shares used in basic calculation	498,664,877	460,960,349	494,332,571	455,538,666
Weighted-average effect of diluted securities:				
Stock options	3,986,751	—	—	—
RSUs	7,099,385	—	—	—
Employee Stock Purchase Plan	619	—	—	—
Unvested common stock	132,390	—	—	—
Weighted-average number of shares outstanding used to compute net income (loss) per share attributable to Compass, Inc., diluted	509,884,022	460,960,349	494,332,571	455,538,666
Net income (loss) per share attributable to Compass, Inc., diluted	$ 0.04	$ (0.10)	$ (0.23)	$ (0.44)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net loss attributable to Compass, Inc.	$ (1.7)	$ (39.4)	$ (113.9)	$ (237.6)
Denominator:				
Weighted-average shares used in computing net loss per share attributable to Compass, Inc., basic and diluted	505,993,014	470,945,736	498,247,783	460,730,792
Net loss per share attributable to Compass, Inc., basic and diluted	$ (0.00)	$ (0.08)	$ (0.23)	$ (0.52)

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

	Three Months Ended June 30,	Six Months Ended June 30,

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	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Outstanding stock options									
Outstanding stock options									
Outstanding stock options									
Outstanding RSUs									
Shares subject to the Employee Stock Purchase Plan									
Unvested early exercised stock options									
Unvested common stock									
Contingent common stock to be issued in connection with the Strategic Transaction									
Total									
Total									
Total									

11. Compass Concierge Receivables and Allowance for Credit Losses

In 2018, the Company launched the Compass Concierge Program for home sellers who have engaged Compass as their exclusive listing agent. The initial program was based on a services model (“Concierge Classic”) provided by Compass Concierge, LLC (“Compass Concierge”), which included items such as consultation on suggested cosmetic updates or modifications to a specific property or guidance on securing licensed contractors or vendors to perform non-structural property improvements. The Concierge Classic program provided for the payment of the up-front costs of specified home improvement services provided by unrelated vendors. During 2022, the Company substantially ceased providing new payments under the Concierge Classic program.

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

Payment to the Company for these services under the Concierge Classic program or repayment of the loan funds under the Concierge Capital program is due upon the earlier of a successful home sale, the termination of the listing agreement or one year from the date in which costs were originally funded. Compass Concierge receivables (“Concierge Receivables”) are stated at the amount advanced to the home sellers, net of an estimated allowance for credit losses (“ACL”) in the accompanying condensed consolidated balance sheets. For the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, the Company did not recognize any material income from the Compass Concierge Program. The Company incurs service fees payable to the Lender and incurs bad debt expense in connection with the Compass Concierge Program.

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

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

Credit Quality

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

Allowance for Credit Losses

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

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

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Beginning of period				
Allowances				
Net write-offs				
End of period				

Aging Status

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

	June September 30, 2024
Current	$ 38.9 40.7
31-90 days past due	1.2 1.4
Over 90 days past due	4.2 3.1
Total	$ 44.3 45.2

12. Restructuring Activities

Since Beginning in 2022, the Company enacted certain workforce reductions, wound down Modus Technologies, Inc., terminated certain of its operating leases and took actions to reduce its occupancy costs, the most significant being the scaling down of its New York administrative office. The workforce reductions were part of a broader plan by the Company to take meaningful actions to improve the alignment between the Company’s organizational structure and its long-term business strategy, drive cost efficiencies enabled by the Company’s technology and other competitive advantages and continue to drive toward profitability and positive free cash flow. The lease termination costs were recognized as a result of the accelerated amortization of various right-of-use assets and other lease-related costs. These expenses have been presented within the Restructuring costs line in the condensed consolidated statements of operations. The Company incurred additional non-cash charges during the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 associated with the write-down of fixed assets for certain real estate leases that have been exited, or partially exited. These costs have been included within the Depreciation and amortization line in the condensed consolidated statements of operations.

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

	Three Months Ended June 30,			Six Months Ended June 30,					
	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Severance related personnel costs									
Lease termination costs									
Accelerated depreciation									
Total expense									
Total expense									
Total expense									

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Restructuring costs	$ 4.3	$ 15.9	$ 5.8	$ 26.0
Depreciation and amortization	0.9	1.4	1.8	5.3
Total expense	$ 5.2	$ 17.3	$ 7.6	$ 31.3

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Restructuring costs	$ 1.7	$ 1.7	$ 7.5	$ 27.7
Depreciation and amortization	0.1	—	1.9	5.3
Total expense	$ 1.8	$ 1.7	$ 9.4	$ 33.0

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

	Payment Due by Period
Remaining 2024	
2025	
2026	
2027	
Thereafter	
Total	

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

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

OVERVIEW

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

- *Introduction.* This section provides a general description of our company and its business, recent developments affecting our company, operational highlights and discussions of how seasonal factors and macroeconomic conditions may impact our results.
- *Results of Operations.* This section provides our analysis and outlook for the significant line items on our statements of operations, as well as other information that we deem meaningful to understand our results of operations on a consolidated basis.
- *Key Business Metrics and Non-GAAP Financial Measures.* This section provides a discussion of key business metrics and non-GAAP financial measures we use to evaluate our business and measure our performance, in addition to the measures presented in our condensed consolidated financial statements.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and cash flows, as well as a discussion of our commitments that existed as of June 30, 2024 September 30, 2024.
- *Critical Accounting Estimates and Policies.* This section discusses those accounting policies that are considered important to the evaluation and reporting of our financial condition and results of operations, and whose application requires us to exercise subjective and often complex judgments in making estimates and assumptions.
- *Recent Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting standards and guidance that have either been recently adopted by our company or may be adopted in the future.

INTRODUCTION

Our Company

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

Our Business and Business Model

We provide an end-to-end platform that empowers our residential real estate agents to deliver exceptional service to seller and buyer clients. Our platform includes an integrated suite of cloud-based software for customer relationship management, marketing, client service, brokerage services and other critical functionalities, all custom-built for the real estate industry. Our platform also uses proprietary data, analytics, AI, and machine learning to simplify workflows of agents and deliver high-value recommendations and outcomes

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for both agents and their clients. Additionally, we provide integrated services, such as title and escrow and mortgage, both of which are available on our platform. Compass agents utilize the platform to grow their businesses, save time and manage their businesses more effectively.

Our business model is directly aligned with the success of our agents. We attract agents to our brokerage and partner with them as independent contractors that affiliate their real estate licenses with us, operating their businesses on our platform and under our brand. We currently generate substantially all of our revenue from commissions paid to us by our agents' clients at the time that a home is transacted on our platform. While integrated services comprise a small portion of our revenue to date, we believe we are well-positioned to capture meaningful revenue from integrated services as we continue to diversify our offerings within the real estate ecosystem.

Operational Highlights for the Three Months Ended June 30, 2024 September 30, 2024

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

We had over 33,000 agents on our platform as of June 30, 2024 September 30, 2024. A subset of our agents are considered principal agents, which we define as either agents who are leaders of their respective agent teams or individual agents operating independently on our platform.

As of June 30, 2024 September 30, 2024, the Number of Principal Agents[1] was 16,997 17,542[2], an increase of 3,299, 2,927, or 24.1% 20.0%, from June 30, 2023 September 30, 2023. The principal agent additions primarily relate to the Company's recent acquisitions of various residential real estate brokerages.

During the three months ended June 30, 2024 September 30, 2024, our agents closed 60,390 55,872 Total Transactions, an increase of 11.4% 16.1% when compared to the three months ended June 30, 2023 September 30, 2023. For the three months ended June 30, 2024 September 30, 2024, the majority of the increase in total transactions was primarily attributable to the residential real estate brokerages acquired since the same period a year ago as these acquired brokerages operate in markets with average selling prices that are lower than the average selling price of our overall brokerage operations. ago.

Our Gross Transaction Value for the three months ended June 30, 2024 September 30, 2024 was $65.0 billion $57.7 billion, an increase of 14.5% 13.4% when compared to the three months ended June 30, 2023 September 30, 2023. Gross Transaction Value is primarily driven by home values in the markets we serve and by changes in the number of our agents in those markets, as well as seasonality and the macroeconomic conditions impacting the U.S. residential real estate market. For more details surrounding the macroeconomic conditions that continue to impact the residential real estate market see the section entitled “Impact of the Macroeconomic Conditions on the U.S. Residential Real Estate Market and Our Business”. seasonality.

For the three months ended June 30, 2024 September 30, 2024, our Gross Transaction Value represented 5.1% 4.8% of residential real estate transacted in the U.S., compared to 4.6% 4.3% for the three months ended June 30, 2023 September 30, 2023. We calculate our market share by dividing our Gross Transaction Value, or the total dollar value of transactions closed by agents on our platform, by two times (to account for the sell-side and buy-side of each transaction) the aggregate dollar value of U.S. existing home sales as reported by the National Association of Realtors ("NAR"). Gross Transaction Value includes a de minimis number of new development and commercial brokerage transactions.

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

Seasonality and Cyclicality

The residential real estate market is seasonal, which directly impacts our agents’ businesses. While individual markets may vary, transaction volume is typically highest in spring and summer, and then declines gradually in late fall and winter. We experience the most significant financial effect from this seasonality in the first and fourth quarters of each year, when our revenue is typically lower relative to the second and third quarters. The effect of this seasonality on our revenue has a larger effect on our results of operations as many of our operating expenses (excluding commissions) are somewhat fixed in nature and do not vary directly in line with our revenue. We believe that this seasonality has affected and will continue to affect our quarterly results.

[1] During the first quarter of 2024, the Company began to report its agent statistics as of the period end. The Company's Number of Principal Agents and year over year growth reported in this Form 10-Q is based on the quarter end count.

[2] The Number of Principal Agents metric excludes approximately 1,200 principal agents located in Texas who joined Compass during the second quarter of 2024 as part of the Latter & Blum Holdings, LLC acquisition. These agents operate with a flat fee / transaction fee based model, which is different from the Company's standard commission model.

revenue is typically lower relative to the second and third quarters. The effect of this seasonality on our revenue has a larger effect on our results of operations as many of our operating expenses (excluding commissions) are somewhat fixed in nature and do not vary directly in line with our revenue. We believe that this seasonality has affected and will continue to affect our quarterly results.

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

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rate tends to increase as the real estate industry performs well and to decrease when the real estate industry performs poorly.

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

Throughout 2023 and through the first half of 2024, a A number of macroeconomic conditions, continued including high interest rates and the Federal Reserve Board policies, continue to contribute to the slowdown in the U.S. residential real estate market, impacting our business and financial results during the year ended December 31, 2023 and the six months ended June 30, 2024. These results. Specifically, these conditions include, but are not limited to, the conflict resulted in Ukraine, volatility in the U.S. equity markets, rising inflation, rapidly rising mortgage interest rates, and the Federal Reserve Board increasing the federal funds rate by an aggregate of 5.25% through June 2024. These conditions have contributed toward slowed consumer demand, and declining home affordability and began to have an impact on price appreciation. low inventory. Any further slowdown, or additional challenging conditions or lack of improvement in the U.S. residential real estate market could have a significant impact on our business and financial results in during the remainder of 2024 and beyond.

Additionally, as part of its nationwide class action settlement of the antitrust claims, NAR agreed to implement certain industry-wide practice changes, including, but not limited to, prohibiting buyer brokers' offers of compensation from being included in listings on Multiple Listing Services and requiring a buyer to enter into a written agreement with their agent that would set forth the buyer broker's fee before showing the buyer a property. These changes went into effect in mid-August. Early in the Spring, the Company entered into a class action settlement of similar antitrust claims and agreed to implement certain other practice changes. See Note 6 - "Commitments and Contingencies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information. Further, we believe the Department of Justice is continuing to focus on the industry, including the practice changes resulting from the NAR settlement.

While we continue to assess the effects of the current ongoing slowdown and the recent industry-wide changes on our business and financial results, the ultimate impact will depend on future developments, which are highly uncertain and difficult to predict, as well as the actions that we have taken, or will take, to minimize any current and future impact. impact on our revenue, profitability, or liquidity.

RESULTS OF OPERATIONS

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

		Three Months Ended June 30,						Six Months Ended June 30,				Three Months Ended September 30,	
		2024			2023			2024		2023		2024	
		(in millions, except percentages)								(in millions, except perce			
Revenue	Revenue	$1,700.6	100.0	100.0 %	$ 1,494.0	100.0	100.0 %	$2,754.7	100.0	100.0 %	$2,451.2	100.0	100.0 %
Operating expenses:													
Commissions and other related expense (1)													
Commissions and other related expense (1)													
Commissions and other related expense (1)													
Sales and marketing (1)													
Operations and support (1)													
Research and development (1)													
General and administrative (1)													
Restructuring costs													
Depreciation and amortization													
Total operating expenses													
Income (loss) from operations													

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Loss from operations								
Investment income, net								
Interest expense								
Income (loss) before income taxes and equity in loss of unconsolidated entity								
Loss before income taxes and equity in income (loss) of unconsolidated entity								
Income tax benefit								
Equity in loss of unconsolidated entity								
Net income (loss)								
Net income attributable to non-controlling interests								
Net income (loss) attributable to Compass, Inc.	$ 20.7	1.2 %	$(47.8)	(3.2 %)	$(112.2)	(4.1 %)	$(198.2)	(8.1 %)
Equity in income (loss) of unconsolidated entity								
Net loss								
Net loss (income) attributable to non-controlling interests								
Net loss attributable to Compass, Inc.	$ (1.7)	(0.1 %)	$(39.4)	(2.9 %)	$(113.9)	(2.7 %)	$(237.6)	(6.3 %)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2024 2023	2024	20242024202023
Commissions and other related expense				
Sales and marketing				
Operations and support				
Research and development				
General and administrative				
Total stock-based compensation expense				

Comparison of the Three and Six Nine Months Ended June 30, 2024 September 30, 2024 and 2023

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Revenue

	Three Months Ended June 30, Three Months Ended September 30,					Six Months Ended June 30, Nine Months Ended September 30,					
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change	2024	2
	(in millions, except percentages)										
Revenue	Revenue $1,700.6 $	$1,494.0 $	$206.6	13.8	13.8 %	$2,754.7 $	$2,451.2 $	$303.5	12.4	12.4 % Revenue $1,494.0 $	$1,337.4 $

Revenue was $1,700.6 million $1,494.0 million and $2,754.7 million $4,248.7 million during the three and six nine months ended June 30, 2024 September 30, 2024, an increase of $206.6 million $156.6 million, or 13.8% 11.7%, and $303.5 million $460.1 million, or 12.4% 12.1%, compared to the prior year periods, respectively. The increase for the three and six nine months ended June 30, 2024 September 30, 2024 was primarily driven by an increase in the number of agents on our platform during 2023 and 2024 and a higher volume of transactions. The Number of Principal Agents as of June 30, 2024 September 30, 2024 grew to 16,997, 17,542, an increase of 24.1% 20.0% from the year ago period. For the three and six nine months ended June 30, 2024 September 30, 2024, 9.0% 6.4% and 8.1% 5.1% of the revenue increase was attributable to existing businesses and 4.8% and 4.3% was increases, respectively, were attributable to businesses recently acquired since with no comparable revenue in the prior year periods, respectively. periods.

Commissions and other related expense

	Three Months Ended June 30, Three Months Ended September 30,					Six Months Ended June 30, Nine Months Ended September 30,					
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change	% Change	
	(in millions, except percentages)										
Commissions and other related expense	Commissions and other related expense $1,405.3	$1,224.0 $	$181.3	14.8	14.8 %	$2,267.6 $	$2,014.9 $	$252.7	12.5	12.5 %	Commissions and other related expense $
Percentage of revenue											

Commissions and other related expense was $1,405.3 million $1,227.7 million and $2,267.6 million $3,495.3 million during the three and six nine months ended June 30, 2024 September 30, 2024, an increase of $181.3 million $131.5 million, or 14.8% 12.0%, and $252.7 million $384.2 million, or 12.5% 12.3%, compared to the prior year periods, respectively. Included in Commissions and other related expense were non-cash expenses related to stock-based compensation of $11.6 million for the six nine months ended June 30, 2023 September 30, 2023. The decline in stock-based compensation expense for the six nine months ended June 30, 2024 September 30, 2024 when compared to the prior year period was due to the discontinuation of the Agent Equity Program in 2023. Commissions and other related expense excluding such non-cash stock-based compensation expense was $1,405.3 million $1,227.7 million, or 82.6% 82.2% of revenue, and $2,267.6 million $3,495.3 million, or 82.3% of revenue, for the three and six nine months ended June 30, 2024 September 30, 2024 and $1,224.0 million $1,096.2 million, or 81.9% 82.0% of revenue, and $2,003.3 million $3,099.5 million, or 81.7% 81.8% of revenue, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The increase in absolute dollars and as a percentage of revenue of Commission and other related expense, excluding non-cash stock-based compensation, for the three and six nine months ended June 30, 2024 September 30, 2024 when compared to the prior year periods was primarily driven by increased revenue changes and the impact of recent acquisitions, which operate in mix of the commission arrangements we have markets with higher average commissions rates compared to our agents and changes in geographic mix. core brokerage.

Sales and marketing

	Three Months Ended June 30, Three Months Ended September 30,					Six Months Ended June 30, Nine Months Ended September 30,					
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change	2024	20
	(in millions, except percentages)										
Sales and marketing	Sales and marketing $94.9 $	$113.3 $	$(18.4)	(16.2	(16.2 %)	$188.3 $	$228.6 $	$(40.3)	(17.6	(17.6 %) Sales and marketing $88.2 $	$103.9 $
Percentage of revenue											

Sales and marketing expense was $94.9 million $88.2 million and $188.3 million $276.5 million during the three and six nine months ended June 30, 2024 September 30, 2024, a decrease of $18.4 million $15.7 million, or 16.2% 15.1%, and $40.3 million $56.0 million, or 17.6% 16.8%, compared to the prior year periods, respectively. Included in Sales and marketing expense were non-cash expenses related to stock-based compensation of $8.3 million $7.8 million and $16.2 million $24.0 million for the three and six nine months ended June 30, 2024 September 30, 2024 and $9.0 million $8.8 million and $17.6 million $26.4 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. Sales and marketing expense, excluding non-cash stock-based compensation expense, was $86.6 million $80.4 million, or 5.1% 5.4% of revenue, and $172.1 million $252.5 million, or 6.2% 5.9% of revenue, for the three and six nine months ended June 30, 2024 September 30, 2024 and $104.3 million $95.1 million, or 7.0% 7.1% of revenue, and $211.0 million $306.1 million, or 8.6% 8.1% of revenue, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The decrease in absolute dollars and as a percentage of revenue, excluding non-cash stock-based compensation expense, during the three and six nine months ended June 30, 2024 September 30, 2024 as compared to the three and six nine months ended June 30, 2023 September 30, 2023 was primarily due to a decrease in agent marketing costs and agent incentives.

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Operations and support

		Three Months Ended June 30, / Three Months Ended September 30,				Six Months Ended June 30, / Nine Months Ended September 30,							
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change		2024	2023	
		(in millions, except percentages)											
Operations and support	Operations and support $83.1	$ $83.0	$ $0.1	0.1	0.1 %	$162.1	$ $164.1	$ $(2.0)	(1.2	(1.2 %)	Operations and support $84.4	$ $83.2	$ $1.2
Percentage of revenue													

Operations and support expense was $83.1 million $84.4 million and $162.1 million $246.5 million during the three and six nine months ended June 30, 2024 September 30, 2024, an increase of $0.1 million $1.2 million, or 0.1% 1.4%, and a decrease of $2.0 million $0.8 million, or 1.2% 0.3%, compared to the prior year periods, respectively. Included in Operations and support expense were non-cash expenses related to stock-based compensation of $4.4 million $4.2 million and $8.1 million $12.3 million for the three and six nine months ended June 30, 2024 September 30, 2024 and $4.1 million $4.5 million and $7.1 million $11.6 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. Operations and support expense, excluding such non-cash stock-based compensation expense, was $78.7 million $80.2 million, or 4.6% 5.4% of revenue, and $154.0 million $234.2 million, or 5.6% 5.5% of revenue, for the three and six nine months ended June 30, 2024 September 30, 2024 and $78.9 million $78.7 million, or 5.3% 5.9% of revenue, and $157.0 million $235.7 million, or 6.4% 6.2% of revenue, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The fluctuation in absolute dollars, excluding such non-cash stock-based compensation expense, during the three and nine months ended September 30, 2024 remained relatively flat. The decrease as a percentage of revenue, excluding such non-cash stock-based compensation expense, during the three and six nine months ended June 30, 2024 September 30, 2024 was primarily related to the increase in revenue compared to the prior year period. The decrease in absolute dollars, excluding such non-cash stock-based compensation expense, during the three and six months ended June 30, 2024 was insignificant.

Research and development

		Three Months Ended June 30, / Three Months Ended September 30,				Six Months Ended June 30, / Nine Months Ended September 30,							
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change		2024	2023	
		(in millions, except percentages)											
Research and development	Research and development $47.4	$ $45.4	$ $2.0	4.4	4.4 %	$94.4	$ $94.3	$ $0.1	0.1	0.1 %	Research and development $47.5	$ $45.8	$ $1.7
Percentage of revenue													

Research and development expense was $47.4 million $47.5 million and $94.4 million $141.9 million during the three and six nine months ended June 30, 2024 September 30, 2024, an increase of $2.0 million $1.7 million, or 4.4% 3.7%, and $0.1 million $1.8 million, or 0.1% 1.3%, compared to the prior year periods, respectively. Included in Research and development expense were non-cash expenses related to stock-based compensation of $15.2 million $14.6 million and $30.1 million $44.7 million for the three and six nine months ended June 30, 2024 September 30, 2024 and $12.6 million $11.4 million and $23.0 million $34.4 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The increase in stock-based compensation expense for the three and six nine months ended June 30, 2024 September 30, 2024 as compared to the three and six nine months ended June 30, 2023 September 30, 2023 was primarily driven by forfeitures incurred due to the workforce reductions taken in connection with our restructuring activities in the prior year with no comparable activity in the current year. Research and development expense, excluding such non-cash stock-based compensation expense, was $32.2 million $32.9 million, or 1.9% 2.2% of revenue, and $64.3 million $97.2 million, or 2.3% of revenue, for the three and six nine months ended June 30, 2024 September 30, 2024 and $32.8 million $34.4 million, or 2.2% 2.6% of revenue, and $71.3 million $105.7 million, or 2.9% 2.8% of revenue, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The decrease in Research and development expense, excluding non-cash stock-based compensation expense, in absolute dollars and as a percentage of revenue during the three and six nine months ended June 30, 2024 September 30, 2024 was primarily driven by lower research and development related headcount expense resulting from our cost reduction initiatives.

General and administrative

		Three Months Ended June 30, / Three Months Ended September 30,				Six Months Ended June 30, / Nine Months Ended September 30,						
	2024	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change		2024	
		(in millions, except percentages)										
General and administrative	General and administrative $22.9	$ $34.7	$ $(11.8)	(34.0	(34.0 %)	$105.1	$ $69.1	$ $36.0	52.1	52.1 %	General and administrative $27.4	$ $24.2
Percentage of revenue												

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General and administrative expense was $22.9 million $27.4 million and $105.1 million $132.5 million during the three and six nine months ended June 30, 2024 September 30, 2024, a decrease of $11.8 million, or 34.0%, and an increase of $36.0 million $3.2 million, or 52.1% 13.2%, and $39.2 million, or 42.0%, compared to the prior year periods, respectively. General and administrative expense includes a charge of $57.5 million for the six nine months ended June 30, 2024 September 30, 2024 in connection with the Antitrust Lawsuits, which is discussed in Note 6 - "Commitments and Contingencies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report. Also included in General and administrative expense were non-cash expenses related to stock-based compensation of $3.0 million $5.9 million and $9.4 million $15.3 million for the three and six nine months ended June 30, 2024 September 30, 2024 and $13.3 million and $24.6 million $37.9 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The decrease in stock-based compensation expense for the three and six nine months ended June 30, 2024 September 30, 2024 as compared to the three and six nine months ended June 30, 2023 September 30, 2023 was primarily driven by the modification of the Company's Chief Executive Officer's performance-based RSUs at the end of 2023. General and administrative expense, excluding such non-cash stock-based compensation expense and the aforementioned litigation charge, was $19.9 million $21.5 million, or 1.2% 1.4% of revenue, and $38.2 million $59.7 million, or 1.4% of revenue, for the three and six nine months ended June 30, 2024 September 30, 2024 and $21.4 million $10.9 million, or 1.4% 0.8% of revenue, and $44.5 million $55.4 million, or 1.8% 1.5% of revenue, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The decrease increase in absolute dollars and as a percentage of revenue, excluding such non-cash stock-based compensation expense and the litigation charge, during the three and six nine months ended June 30, 2024 September 30, 2024 as compared to the three and six nine months ended June 30, 2023 September 30, 2023 was primarily driven by our cost reduction initiatives. a benefit incurred during the three months ended September 30, 2023 of $7.2 million for tax refunds resulting from a change in estimates for certain state taxes paid in prior years.

Restructuring costs

	Three Months Ended June 30, / Three Months Ended September 30,										Six Months Ended June 30, / Nine Months Ended September 30,												
	2024		2024		2023		$ Change		% Change		2024		2023		$ Change		% Change			2024		2023	
	(in millions, except percentages)																						
Restructuring costs	Restructuring costs $4.3	$		$15.9	$		$(11.6)	(73.0	(73.0 %)		$5.8	$	$26.0	$	$(20.2)	(77.7	(77.7 %)		Restructuring costs	$1.7	$	$1.7	$
Percentage of revenue																							

Restructuring costs in the three and six nine months ended June 30, 2024 September 30, 2024 primarily consisted of costs associated with continued lease terminations. Restructuring costs in the three and six nine months ended June 30, 2023 September 30, 2023 primarily consisted of costs associated with workforce reduction actions and lease terminations. See Note 12 - "Restructuring Activities" in our condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

Depreciation and amortization

	Three Months Ended June 30, / Three Months Ended September 30,										Six Months Ended June 30, / Nine Months Ended September 30,												
	2024		2024		2023		$ Change		% Change		2024		2023		$ Change		% Change			2024		2023	
	(in millions, except percentages)																						
Depreciation and amortization	Depreciation and amortization $21.4	$		$22.3	$		$(0.9)	(4.0	(4.0 %)		$42.2	$	$47.2	$	$(5.0)	(10.6	(10.6 %)		Depreciation and amortization	$20.5	$	$21.3	$
Percentage of revenue																							

Depreciation and amortization expense decreased $0.9 million $0.8 million, or 4.0% 3.8%, for the three months ended June 30, 2024 September 30, 2024 compared to the three months ended June 30, 2023 September 30, 2023 and decreased $5.0 million $5.8 million, or 10.6% 8.5%, for the six nine months ended June 30, 2024 September 30, 2024 compared to the six nine months ended June 30, 2023 September 30, 2023. For the three months ended September 30, 2024 and 2023, depreciation and amortization expenses remained relatively flat. The decrease for the six nine months ended June 30, 2024 September 30, 2024 was primarily driven by $5.3 million in accelerated depreciation for fixed assets, including leasehold improvements, furniture and fixtures related to office leases we exited during the six nine months ended June 30, 2023 September 30, 2023 compared to $1.8 million $1.9 million in the current period. See Note 12 - "Restructuring Activities" in our condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

Investment income, net

	Three Months Ended June 30,	Six Months Ended June 30,
	Three Months Ended September 30,	Nine Months Ended September 30,

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	2024	2024	2023	$ Change		% Change	2024	2023	$ Change		% Change		2024	2023	Ch
	(in millions, except percentages)														
Investment income, net	Investment income, net $1.4	$2.5	$(1.1)	(44.0	(44.0 %)		$2.5	$5.4	$(2.9)	(53.7	(53.7 %)	Investment income, net	$2.2	$1.5	$0.7

Investment income, net increased during the three months ended September 30, 2024 primarily as a result of an increase in our average short-term interest-bearing investments as compared to the three months ended September 30, 2023. Investment income, net decreased during the three and six nine months ended June 30, 2024 September 30, 2024 as a result of a decrease in our average short-term interest-bearing investments as compared to the year ago periods. period.

Interest expense

		Three Months Ended June 30,					Six Months Ended June 30,								
		Three Months Ended September 30,					Nine Months Ended September 30,								
	2024	2024	2023	$ Change		% Change	2024	2023	$ Change		% Change		2024	2023	$ Change
	(in millions, except percentages)														
Interest expense	Interest expense $(1.6)	$(4.1)	$2.5	(61.0	(61.0 %)		$(3.1)	$(7.3)	$4.2	57.5	57.5 %	Interest expense	$(1.5)	$(1.9)	$0.4	21.1

Interest expense was $1.6 million $1.5 million and $3.1 million $4.6 million for the three and six nine months ended June 30, 2024 September 30, 2024, respectively. The decrease from the prior year periods was primarily driven by the interest expense incurred on our Revolving Credit Facility as a result of a balance balances outstanding in the prior year on the credit facility with no comparable balance outstanding during the three and six nine months ended June 30, 2024 September 30, 2024.

Income tax benefit

		Three Months Ended June 30,					Six Months Ended June 30,								
		Three Months Ended September 30,					Nine Months Ended September 30,								
	2024	2024	2023	$ Change		% Change	2024	2023	$ Change		% Change		2024	2023	$ Change
	(in millions, except percentages)														
Income tax benefit	Income tax benefit $0.1	$—	$0.1	100.0	100.0 %		$0.4	$—	$0.4	100.0	100.0 %	Income tax benefit	$0.3	$0.5	$(0.2)	(40.0	(40.0 %

For the three and six nine months ended June 30, 2024 September 30, 2024, Income tax benefit decreased by $0.2 million and increased by $0.1 million and $0.4 million $0.2 million when compared to the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The changes primarily resulted from partial reductions a decrease in acquisition activity and the valuation allowance related to the carryover tax basis in recognition of deferred tax liabilities from acquisitions assets in India netted with state income tax expense. expense, respectively.

Equity in loss income (loss) of unconsolidated entity

	Three Months Ended June 30,				Six Months Ended June 30,			
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
	(in millions, except percentages)							
Equity in loss of unconsolidated entity	$ (0.4)	$(0.7)	$0.3	42.9 %	$(1.2)	$(2.2)	$1.0	45.5 %
Equity in income (loss) of unconsolidated entity	$ 0.5	$(0.4)	$0.9	225.0 %	$(0.7)	$(2.6)	$1.9	73.1 %

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During the three and six nine months ended June 30, 2024 September 30, 2024, Equity in losses income (loss) of unconsolidated entity was $0.4 million income of $0.5 million and $1.2 million a loss of $0.7 million, respectively, primarily from our mortgage joint venture, which was formed in July 2021.

KEY BUSINESS METRICS AND NON-GAAP FINANCIAL MEASURES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total Transactions				
Gross Transaction Value (in billions)				
Number of Principal Agents(1)(2)				
Net income (loss) attributable to Compass, Inc. (in millions)	$ 20.7	$ (47.8)	$ (112.2)	$(198.2)
Net income (loss) attributable to Compass, Inc. margin	1.2%	(3.2%)	(4.1%)	(8.1%)
Net loss attributable to Compass, Inc. (in millions)	$ (1.7)	$ (39.4)	$ (113.9)	$(237.6)
Net loss attributable to Compass, Inc. margin	(0.1%)	(2.9%)	(2.7%)	(6.3%)
Adjusted EBITDA(3) (in millions)				
Adjusted EBITDA margin(3)	4.6%	2.0%	2.1%	(1.5%)
Adjusted EBITDA margin(3)	3.5%	1.6%	2.6%	(0.4%)

(1) During the first quarter of 2024, the Company began to report its agent statistics as of the period end. The Company's Number of Principal Agents and year over year growth reported in this Form 10-Q is based on the quarter end count.

(2) Excludes approximately 1,200 principal agents located in Texas who joined Compass during the second quarter of 2024 as part of the Latter & Blum Holdings, LLC acquisition. These agents operate with a flat fee / transaction fee based model, which is different from the Company's standard commission model.

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

Key Business Metrics

Total Transactions

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

Our Total Transactions increased for the three months ended June 30, 2024 September 30, 2024 to 60,390, 55,872, or 11.4% 16.1%, and for the six nine months ended June 30, 2024 September 30, 2024 to 98,839, 154,711, or 9.7% 11.9%, from the year ago periods. For the three and six nine months ended June 30, 2024 September 30, 2024, the majority of the increase in total transactions was attributable to the brokerages acquired since the same periods a year ago as these acquired brokerages operate in markets with average selling prices that are lower than the average selling price of our overall brokerage operations. ago.

Gross Transaction Value

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

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

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Our Gross Transaction Value for the three and six nine months ended June 30, 2024 September 30, 2024 was $65.0 billion $57.7 billion and $105.1 billion $162.8 billion, representing an increase of 14.5% 13.4% and 12.5% 12.8% from the year ago periods, respectively. The increase for the three and six nine months ended June 30, 2024 September 30, 2024 were primarily driven by an increase in the number of agents on our platform.

Number of Principal Agents

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

Our Number of Principal Agents for the three and six nine months ended June 30, 2024 September 30, 2024 was 16,997, 17,542, representing an increase of 24.1% 20.0% from the year ago period. period primarily driven by the agents we acquired in 2024 from Latter & Blum Holdings, LLC and Parks Village Nashville, LLC. Our principal agents generate revenue across a diverse set of real estate markets in the U.S.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA margin

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

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

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

		Three Months Ended June 30,		Six Months Ended June 30,					
		Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Net income (loss) attributable to Compass, Inc.									
Net loss attributable to Compass, Inc.									
Adjusted to exclude the following:									
Depreciation and amortization									
Depreciation and amortization									
Depreciation and amortization									
Investment income, net									
Interest expense									
Stock-based compensation									
Income tax benefit									
Restructuring costs									

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Acquisition-related expenses(1)				
Litigation charge(2)				
Adjusted EBITDA				
Net income (loss) attributable to Compass, Inc. margin	1.2 %	(3.2 %)	(4.1 %)	(8.1 %)
Net loss attributable to Compass, Inc. margin	(0.1 %)	(2.9 %)	(2.7 %)	(6.3 %)
Adjusted EBITDA margin Adjusted EBITDA margin	4.6 %	2.0 %	2.1 %	(1.5 %)
Adjusted EBITDA margin	3.5 %	1.6 %	2.6 %	(0.4 %)

(1) Includes adjustments related to the change in fair value of contingent consideration and other adjustments related to acquisition consideration. See Note 3 - "Acquisitions" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

(2) Represent a charge of $57.5 million incurred during the three months ended March 31, 2024 in connection with the Antitrust Lawsuits. See Note 6 - "Commitments and Contingencies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

Adjusted EBITDA was income of $77.4 million $52.0 million and $30.1 million $21.8 million during the three months ended June 30, 2024 September 30, 2024 and 2023, respectively. Adjusted EBITDA was income of $57.3 million $109.3 million and a loss of $37.0 million $15.2 million during the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. The improvement in Adjusted EBITDA during the three and six nine months ended June 30, 2024 September 30, 2024 as compared to the three and six nine months ended June 30, 2023 September 30, 2023 was primarily a result of the impact of our cost reduction initiatives and an increase in revenue which was driven by an increase in the number of agents that joined on our platform during 2023 and 2024.

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

	Three Months Ended June 30, 2024				
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	$ 1,405.3	$ 94.9	$ 83.1	$ 47.4	$ 22.9
Adjusted to exclude the following:					
Stock-based compensation	—	(8.3)	(4.4)	(15.2)	(3.0)
Non-GAAP Basis	$ 1,405.3	$ 86.6	$ 78.7	$ 32.2	$ 19.9

	Three Months Ended June 30, 2023				
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	$ 1,224.0	$ 113.3	$ 83.0	$ 45.4	$ 34.7
Adjusted to exclude the following:					
Stock-based compensation	—	(9.0)	(4.1)	(12.6)	(13.3)
Acquisition-related expenses	—	—	0.9	—	—
Non-GAAP Basis	$ 1,224.0	$ 104.3	$ 79.8	$ 32.8	$ 21.4

	Three Months Ended September 30, 2024				
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	$ 1,227.7	$ 88.2	$ 84.4	$ 47.5	$ 27.4
Adjusted to exclude the following:					
Stock-based compensation	—	(7.8)	(4.2)	(14.6)	(5.9)
Non-GAAP Basis	$ 1,227.7	$ 80.4	$ 80.2	$ 32.9	$ 21.5

	Three Months Ended September 30, 2023				
	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis	$ 1,096.2	$ 103.9	$ 83.2	$ 45.8	$ 24.2

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Adjusted to exclude the following:					
Stock-based compensation	—	(8.8)	(4.5)	(11.4)	(13.3)
Acquisition-related expenses	—	—	(0.3)	—	—
Non-GAAP Basis	$ 1,096.2	$ 95.1	$ 78.4	$ 34.4	$ 10.9

	Six Months Ended June 30, 2024						Nine Months Ended September 30, 2024				
	Commissions and other related expense	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis											
Adjusted to exclude the following:											
Stock-based compensation											
Stock-based compensation											
Stock-based compensation											
Litigation charge											
Litigation charge											
Litigation charge											
Non-GAAP Basis											

	Six Months Ended June 30, 2023						Nine Months Ended September 30, 2023				
	Commissions and other related expense	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative	Commissions and other related expense	Sales and marketing	Operations and support	Research and development	General and administrative
GAAP Basis											
Adjusted to exclude the following:											
Stock-based compensation											
Stock-based compensation											
Stock-based compensation											
Acquisition-related expenses											
Non-GAAP Basis											
Non-GAAP Basis											
Non-GAAP Basis											

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have generated negative cash flows from operations and have primarily financed our operations from net proceeds from the sale of convertible preferred stock and common stock. As of June 30, 2024 September 30, 2024, we had cash and cash equivalents of $185.8 million $211.2 million and an accumulated deficit of $2.6 billion.

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

Our future capital requirements will depend on many factors, including, but not limited to, growth in the number of our agents and the associated costs to attract, support and retain them, our decision to resume expansion into new geographic markets,

continued investment in integrated services and other new revenue streams, future acquisitions, the timing of investments in technology and personnel to support the overall growth in our business and the extent and duration of the current and any future slowdown in the U.S. residential real estate market. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could

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provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. In the event that additional financing is required from outside sources, we may not be able to negotiate terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected. See the sections entitled "Risk Factors—Risks Related to Ownership of Our Class A Common Stock—We may need to raise additional capital to continue to grow our business and we may not be able to raise additional capital on terms acceptable to us, or at all" and "Risk Factors—Risks Related to Our Business and Operations—Covenants in our debt agreements may restrict our borrowing capacity or operating activities and adversely affect our financial condition" included in the 2023 Form 10-K.

Financial Obligations

See Note 5 - "Debt" in our condensed consolidated financial statements included elsewhere in this Quarterly Report, for information on our indebtedness as of June 30, 2024 September 30, 2024.

Cash Flows

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

	Six Months Ended June 30,			Nine Months Ended September 30,	
	2024	2024	2023	2024	2023
Net cash provided by (used in) operating activities					
Net cash provided by operating activities					
Net cash used in investing activities					
Net cash used in financing activities					
Net increase (decrease) in cash and cash equivalents					

Operating Activities

For the six nine months ended June 30, 2024 September 30, 2024, net cash provided by operating activities was $53.6 million $91.0 million. The inflow was primarily due to a $112.2 million $114.1 million Net loss adjusted for $109.4 million $161.4 million of non-cash charges and cash inflows due to changes in assets and liabilities of $56.4 million $43.7 million.

For the six nine months ended June 30, 2023 September 30, 2023, net cash used in provided by operating activities was $2.2 million $12.8 million. The outflow inflow was primarily due to a $197.1 million $236.3 million Net loss adjusted for $137.1 million $199.3 million of non-cash charges partially offset by and cash inflows due to changes in assets and liabilities of $57.8 million $49.8 million.

Investing Activities

During the six nine months ended June 30, 2024 September 30, 2024, net cash used in investing activities was $26.5 million $32.8 million consisting of $18.0 million $18.9 million in payments for acquisitions, net of cash acquired, $7.3 million $11.9 million of capital expenditures and $1.2 million $2.0 million for investments in an unconsolidated entity.

During the six nine months ended June 30, 2023 September 30, 2023, net cash used in investing activities was $6.1 million $8.2 million consisting of $6.1 million $8.9 million in capital expenditures. expenditures partially offset by $0.7 millionof cash acquired, net of payments for acquisitions.

Financing Activities

During the six nine months ended June 30, 2024 September 30, 2024, net cash used in financing activities was $8.2 million $13.9 million primarily consisting of $14.1 million $21.8 million in taxes paid related to the net share settlement of equity awards and $2.5 million $2.9 million in payments related to acquisitions, including contingent consideration payments, partially offset by $4.8 million $5.9 million in proceeds from the exercise of stock options, $2.5 million $2.7 million in net proceeds from drawdowns and repayments on the Concierge Facility and $1.1 million $2.2 million in proceeds from the issuance of common stock under the Employee Stock Purchase Plan.

During the six nine months ended June 30, 2023 September 30, 2023, net cash used in financing activities was $18.2 million $146.5 million, primarily consisting of $10.3 million $150.0 millionin net repayments of drawdowns on the Revolving Credit Facility, $17.9 million in taxes paid related to net share settlement of equity awards, $10.2 million $12.1 million in payments related to acquisitions, including contingent consideration and $1.5 million $4.0 million in net outflows from drawdowns and repayments on the Concierge Facility partially offset by $2.9 million $32.3 millionin proceeds from the issuance of common stock in connection with the Strategic Transaction, $4.2 million in proceeds from the exercise of stock options and $1.4 million $2.5 million in proceeds from the issuance of common stock under the Employee Stock Purchase Plan.

Off-Balance Sheet Arrangements

We administer escrow and trust deposits which represent undistributed amounts for the settlement of real estate transactions. We are contingently liable for these escrow and trust deposits totaling $270.0 million $246.1 million and $120.0 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. We did not have any other off-balance sheet arrangements as of or during the periods presented.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical Accounting Estimates and Policies

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Our cash and cash equivalents as of June 30, 2024 September 30, 2024 consisted of $185.8 million $211.2 million. Certain of our cash and cash equivalents are interest-earning instruments that carry a degree of interest rate risk. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents.

We are also subject to interest rate exposure on our Concierge Facility and Revolving Credit Facility. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Our Concierge Facility bears interest equal to the term SOFR rate plus a margin of 2.75%. As of June 30, 2024 September 30, 2024, we had a total outstanding balance of $27.3 million $27.5 million under the Concierge Facility. Our Revolving Credit Facility bears interest equal to SOFR plus a margin of 1.50%. As of June 30, 2024 September 30, 2024, we had no borrowings outstanding under the Revolving Credit Facility. Based on the amounts outstanding, a 100-basis point increase or decrease in market interest rates over a twelve-month period would not result in a material change to our interest expense.

Foreign Currency Exchange Risk

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Procedures

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

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

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2024 September 30, 2024.

Changes in Internal Control over Financial Reporting

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

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

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the

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controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

(a) Unregistered Sales of Equity Securities

From April 1, 2024 July 1, 2024 through August 2, 2024 November 1, 2024, we offered, sold and issued the following unregistered securities:

(1) As previously disclosed in Form 4s filed with the SEC, Robert Reffkin, our founder and Chief Executive Officer, exchanged an aggregate of 3,578,850 shares of Class C common stock for an equivalent number of shares of Class A common stock pursuant to an Equity Exchange Right Agreement on August 13, 2024, August 19, 2024, August 26, 2024 and September 13, 2024.

(2) An aggregate of 5,156,850 941,394 shares of Class A common stock were issued on May 15, 2024, June 13, 2024, June 17, 2024, and July 10, 2024 to the sellers in connection with two separate acquisitions (collectively, the "Acquisitions" an acquisition (the "Acquisition") previously disclosed in the Quarterly Report Reports on Form 10-Q for the quarterly period periods ended on March 31, 2024 and in connection with an earnout payment related to a prior acquisition, June 30, 2024, in the aggregate amount of $21.5 million $3.9 million. Additionally, in connection with the Acquisitions, Acquisition, we agreed to issue additional shares of Class A common stock with respect to the earnout payments, which will be determined based on Adjusted EBITDA as set forth in the relevant agreements. agreement. We currently estimate to issue no more than an additional 3.4 million 3.1 million shares, with the shares being issued over the course of three years following each earnout payment measurement period. We reserved the right to pay such earnout payments in cash instead of shares.

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

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On May 10, 2024 During the three months ended September 30, 2024, Robert Reffkin, Founder and Chief Executive Officer, and 2021 Reffkin Remainder Interest Trust, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted, modified or terminated a Rule "Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 10,500,000 shares of the Company's common stock at various limit prices. The trading arrangement is set to end on December 31, 2025.

On May 10, 2024, Brad Serwin, General Counsel and Corporate Secretary, adopted a Rule arrangement" or "non-Rule 10b5-1 trading arrangement, that" as each term is intended to satisfy the affirmative defense defined in Item 408(a) of Rule 10b5-1(c) for the sale of up to 243,982 shares of the Company's common stock at various limit prices. The trading arrangement is set to end on August 10, 2026. Regulation S-K.

On May 17, 2024, Scott Wahlers, Chief Accounting Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 591,922 shares3 of the Company's common stock at various limit prices. The trading arrangement is set to end on August 14, 2026.

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On May 10, 2024, Pamela Thomas-Graham, Director, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 239,216 shares of the Company's common stock at various limit prices. The trading arrangement is set to end on May 8, 2026.

On May 13, 2024, Allan Leinwand, Director, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 40,394 shares of the Company's common stock at various limit prices. The trading arrangement is set to end on August 29, 2025.

[3] Reflects an estimated number of shares. The actual number of shares will depend on the number of shares underlying Restricted Stock Unit Awards that are net settled at a future time.

ITEM 6. EXHIBITS

Exhibit Index

		Incorporated by Reference				
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
10.1	Chief Executive Officer Agreement between the Company and Robert Reffkin, dated as of October 29, 2024.					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

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

SIGNATURES

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

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COMPASS, INC.

Date: August 2, 2024 November 1, 2024

By: /s/Robert Reffkin

Robert Reffkin

Chairman, Chief Executive Officer

(Principal Executive Officer)

Date: August 2, 2024 November 1, 2024

By: /s/ Kalani Reelitz

Kalani Reelitz

Chief Financial Officer

(Principal Financial Officer)

Exhibit 10.1

FORFEITURE ACKNOWLEDGEMENT

Consistent with oral agreements made on December 22, 2023, between A) the Board of Directors of Compass, Inc. (the “Company”), based upon a recommendation of the Compensation Committee of the Board, and in consultation with the independent compensation consultant retained by the Compensation Committee, Semler Brossy Consulting Group, LLC and B) the undersigned Chief Executive Officer of the Company, Robert Reffkin (“Reffkin”),

Reffkin hereby acknowledges that, in exchange for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, that as of December 22, 2023 he has forfeited both 1) that certain grant of Restricted Stock Units (“RSUs”) representing 861,181 shares of the Class A Common Stock (pre-10 for 1 split) dated March 12, 2020 and 2) that certain grant of RSUs representing an additional 861,181 shares of the Class A Common Stock (pre-10 for 1 split) dated January 25, 2021.

AGREED & ACKNOWLEDGED

/s/ Robert Reffkin________________October 29th, 2024______

Robert Reffkin Date

Exhibit 31.1

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

I, Robert Reffkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

Date: August 2, 2024 November 1, 2024

By: /s/ Robert Reffkin

Robert Reffkin

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

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

I, Kalani Reelitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass, Inc.;

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

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

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

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

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

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

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

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

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

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Date: August 2, 2024 November 1, 2024

By: /s/ Kalani Reelitz

Kalani Reelitz
Chief Financial Officer
(Principal Financial Officer)

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Exhibit 32.1

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

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

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2024 September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: August 2, 2024 November 1, 2024

By: /s/ Robert Reffkin

Robert Reffkin
Chief Executive Officer

Exhibit 32.2

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

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

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2024 September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: August 2, 2024 November 1, 2024

By: /s/ Kalani Reelitz

Kalani Reelitz
Chief Financial Officer

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