

REFINITIV

# DELTA REPORT

## 10-Q

DOUG - DOUGLAS ELLIMAN INC.

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 586

■ CHANGES 210

■ DELETIONS 141

■ ADDITIONS 235

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

FORM 10-Q

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

For The Quarterly Period Ended **March 31, 2023** **June 30, 2023**

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

**DOUGLAS ELLIMAN INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation  
incorporation or organization)

**1-41054**

Commission File Number

**87-2176850**

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

**4400 Biscayne Boulevard  
Miami, Florida 33137  
305-579-8000**

(Address, including zip code and telephone number, including area code,  
of the principal executive offices)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

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

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging Growth Company

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

At **May 5, 2023** **August 4, 2023**, Douglas Elliman Inc. had **84,416,022** **88,632,319** shares of common stock outstanding.

# DOUGLAS ELLIMAN INC.

## FORM 10-Q

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

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
ASSETS:	ASSETS:			ASSETS:		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 123,662	\$ 163,859	Cash and cash equivalents	\$ 130,418	\$ 163,859
Receivables	Receivables	24,227	22,162	Receivables	20,996	22,162
Agent receivables, net	Agent receivables, net	19,507	12,826	Agent receivables, net	16,600	12,826
Income taxes receivable, net	Income taxes receivable, net	7,647	7,547	Income taxes receivable, net	7,647	7,547
Restricted cash and cash equivalents	Restricted cash and cash equivalents	5,404	4,985	Restricted cash and cash equivalents	6,342	4,985
Other current assets	Other current assets	17,613	13,680	Other current assets	18,854	13,680
Total current assets	Total current assets	198,060	225,059	Total current assets	200,857	225,059

Property, plant and equipment, net	Property, plant and equipment, net	42,544	41,717	Property, plant and equipment, net	41,604	41,717
Operating lease right-of-use assets	Operating lease right-of-use assets	113,105	117,773	Operating lease right-of-use assets	113,192	117,773
Long-term investments (includes \$5,345 and \$6,219 at fair value)		12,669	12,932			
Long-term investments (includes \$4,157 and \$6,219 at fair value)				Long-term investments (includes \$4,157 and \$6,219 at fair value)	13,091	12,932
Contract assets, net	Contract assets, net	36,004	38,913	Contract assets, net	35,113	38,913
Goodwill	Goodwill	32,230	32,230	Goodwill	32,230	32,230
Other intangible assets, net	Other intangible assets, net	73,489	73,666	Other intangible assets, net	73,313	73,666
Equity-method investments	Equity-method investments	2,055	1,629	Equity-method investments	1,975	1,629
Other assets	Other assets	6,633	6,483	Other assets	6,757	6,483
Total assets	Total assets	\$ 516,789	\$ 550,402	Total assets	\$ 518,132	\$ 550,402
LIABILITIES AND STOCKHOLDERS' EQUITY:	LIABILITIES AND STOCKHOLDERS' EQUITY:			LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:	Current liabilities:			Current liabilities:		
Current operating lease liability	Current operating lease liability	\$ 22,808	\$ 22,328	Current operating lease liability	\$ 22,213	\$ 22,328
Accounts payable	Accounts payable	6,174	5,456	Accounts payable	4,876	5,456
Commissions payable	Commissions payable	25,783	22,117	Commissions payable	25,016	22,117
Accrued salaries and benefits	Accrued salaries and benefits	3,371	18,228	Accrued salaries and benefits	6,519	18,228
Contract liabilities	Contract liabilities	7,711	8,222	Contract liabilities	9,154	8,222
Other current liabilities	Other current liabilities	22,480	13,607	Other current liabilities	25,436	13,607
Total current liabilities	Total current liabilities	88,327	89,958	Total current liabilities	93,214	89,958
Deferred income taxes, net	Deferred income taxes, net	9,077	14,467	Deferred income taxes, net	7,784	14,467
Non-current operating lease liabilities	Non-current operating lease liabilities	115,192	120,508	Non-current operating lease liabilities	115,505	120,508
Contract liabilities	Contract liabilities	52,837	54,706	Contract liabilities	52,143	54,706
Other liabilities	Other liabilities	137	306	Other liabilities	56	306
Total liabilities	Total liabilities	265,570	279,945	Total liabilities	268,702	279,945
Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)			Commitments and contingencies (Note 7)		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized	Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized	—	—	Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized	—	—
Common stock, par value \$0.01 per share, 250,000,000 shares authorized, 84,416,022 and 80,881,022 shares issued and outstanding		844	809			
Common stock, par value \$0.01 per share, 250,000,000 shares authorized, 88,632,319 and 80,881,022 shares issued and outstanding				Common stock, par value \$0.01 per share, 250,000,000 shares authorized, 88,632,319 and 80,881,022 shares issued and outstanding	886	809

Additional paid-in capital	Additional paid-in capital	271,678	273,111	Additional paid-in capital	275,025	273,111
Accumulated deficit	Accumulated deficit	(22,624)	(5,000)	Accumulated deficit	(27,843)	(5,000)
Total Douglas Elliman Inc. stockholders' equity	Total Douglas Elliman Inc. stockholders' equity	249,898	268,920	Total Douglas Elliman Inc. stockholders' equity	248,068	268,920
Non-controlling interest	Non-controlling interest	1,321	1,537	Non-controlling interest	1,362	1,537
Total stockholders' equity	Total stockholders' equity	251,219	270,457	Total stockholders' equity	249,430	270,457
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 516,789	\$ 550,402	Total liabilities and stockholders' equity	\$ 518,132	\$ 550,402

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

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

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Revenues:	Revenues:		Revenues:			
Commissions and other brokerage income	Commissions and other brokerage income	\$ 202,036 \$ 295,109	Commissions and other brokerage income	\$ 262,489 \$ 348,831	\$ 464,525 \$ 643,940	
Property management	Property management	8,777 9,199	Property management	9,375 10,046	18,152 19,245	
Other ancillary services	Other ancillary services	3,169 4,592	Other ancillary services	4,048 5,482	7,217 10,074	
Total revenues	Total revenues	213,982 308,900	Total revenues	275,912 364,359	489,894 673,259	
Expenses:	Expenses:		Expenses:			
Real estate agent commissions	Real estate agent commissions	156,102 223,422	Real estate agent commissions	204,802 267,182	360,904 490,604	
Sales and marketing	Sales and marketing	21,239 19,306	Sales and marketing	22,161 22,136	43,400 41,442	
Operations and support	Operations and support	18,893 18,091	Operations and support	17,324 19,563	36,217 37,654	
General and administrative	General and administrative	32,295 32,830	General and administrative	31,259 32,875	63,554 65,705	
Technology	Technology	6,012 5,293	Technology	6,163 5,989	12,175 11,282	
Depreciation and amortization	Depreciation and amortization	2,039 2,079	Depreciation and amortization	1,993 1,986	4,032 4,065	
Restructuring	Restructuring	1,210 —	Restructuring	507 —	1,717 —	
Operating (loss) income	Operating (loss) income	(23,808) 7,879	Operating (loss) income	(8,297) 14,628	(32,105) 22,507	
Other income (expenses):	Other income (expenses):		Other income (expenses):			
Interest income	Interest income	1,105 39	Interest income	1,370 32	2,475 71	

Equity in (losses) earnings from equity-method investments	Equity in (losses) earnings from equity-method investments	(73)	532	Equity in (losses) earnings from equity-method investments	(80)	(114)	(153)	418
Investment and other (loss) income		(454)	752					
Investment and other income				Investment and other income			536	1,219
(Loss) income before provision for income taxes	(Loss) income before provision for income taxes	(23,230)	9,202	(Loss) income before provision for income taxes	(6,471)	15,765	(29,701)	24,967
Income tax (benefit) expense	Income tax (benefit) expense	(5,390)	2,917	Income tax (benefit) expense	(1,293)	5,546	(6,683)	8,463
Net (loss) income	Net (loss) income	(17,840)	6,285	Net (loss) income	(5,178)	10,219	(23,018)	16,504
Net loss attributed to non-controlling interest		216	225					
Net (income) loss attributed to non-controlling interest				Net (income) loss attributed to non-controlling interest			(41)	27
Net (loss) income attributed to Douglas Elliman Inc.	Net (loss) income attributed to Douglas Elliman Inc.	\$ (17,624)	\$ 6,510	Net (loss) income attributed to Douglas Elliman Inc.	\$ (5,219)	\$ 10,246	\$ (22,843)	\$ 16,756
Per basic common share:	Per basic common share:			Per basic common share:				
Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	\$ (0.23)	\$ 0.08	Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	\$ (0.06)	\$ 0.12	\$ (0.28)	\$ 0.20
Per diluted common share:	Per diluted common share:			Per diluted common share:				
Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	\$ (0.23)	\$ 0.08	Net (loss) income applicable to common shares attributed to Douglas Elliman Inc.	\$ (0.06)	\$ 0.12	\$ (0.28)	\$ 0.20

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

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

Douglas Elliman Inc. Stockholders' Equity

	Common Stock		Additional	Accumulated	Non-	Total
			Paid-In	Deficit	controlling	
	Shares	Amount	Capital		Interest	
Balance as of January 1, 2023	80,881,022	\$ 809	\$ 273,111	\$ (5,000)	\$ 1,537	\$ 270,457
Net loss	—	—	—	(17,624)	(216)	(17,840)
Distributions and dividends on common stock (\$0.05 per share)	—	—	(4,221)	—	—	(4,221)
Restricted stock grants	3,535,000	35	(35)	—	—	—
Stock-based compensation	—	—	2,823	—	—	2,823
Balance as of March 31, 2023	84,416,022	\$ 844	\$ 271,678	\$ (22,624)	\$ 1,321	\$ 251,219

Douglas Elliman Inc. Stockholders' Equity						
	Common Stock		Additional	Retained	Non-	Total
			Paid-In	Earnings	controlling	
	Shares	Amount	Capital		Interest	
Balance as of April 1, 2023	84,416,022	\$ 844	\$ 271,678	\$ (22,624)	\$ 1,321	\$ 251,219
Net loss	—	—	—	(5,219)	41	(5,178)
Distributions and dividends on common stock	(372)	—	(1)	—	—	(1)
Withholding of shares as payment of tax liabilities in connection with restricted stock vesting	(3,935)	—	(11)	—	—	(11)
Effect of stock dividend	4,220,604	42	(42)	—	—	—
Stock-based compensation	—	—	3,401	—	—	3,401
Balance as of June 30, 2023	88,632,319	\$ 886	\$ 275,025	\$ (27,843)	\$ 1,362	\$ 249,430

	Douglas Elliman Inc. Stockholders' Equity							Douglas Elliman Inc. Stockholders' Equity						
	Additional					Non-controlling	Total	Additional					Non-controlling	Total
	Common Stock		Paid-In Capital	Retained Earnings				Common Stock		Paid-In Capital	Retained Earnings			
	Shares	Amount				Shares	Amount							
Balance as of January 1, 2022	81,210,626	\$ 812	\$ 278,500	\$ 622	\$ 1,939	\$281,873								
Balance as of April 1, 2022							Balance as of April 1, 2022	81,235,626	\$ 812	\$ 281,152	\$ 3,070	\$ 2,089	\$287,123	
Net income (loss)	Net income (loss)	—	—	—	6,510	(225)	6,285	Net income (loss)	—	—	—	10,246	(27)	10,219
Distributions and dividends on common stock (\$0.05 per share)	Distributions and dividends on common stock (\$0.05 per share)	—	—	—	(4,062)	—	(4,062)	Distributions and dividends on common stock (\$0.05 per share)	—	—	—	(4,064)	—	(4,064)
Restricted stock grants	Restricted stock grants	25,000	—	—	—	—	—	Restricted stock grants	40,000	1	(1)	—	—	—
Stock-based compensation	Stock-based compensation	—	—	2,652	—	—	2,652	Stock-based compensation	—	—	2,659	—	—	2,659
Contributions from non-controlling interest		—	—	—		375	375							
Balance as of March 31, 2022	81,235,626	\$ 812	\$ 281,152	\$ 3,070	\$ 2,089	\$287,123								
Balance as of June 30, 2022							Balance as of June 30, 2022	81,275,626	\$ 813	\$ 283,810	\$ 9,252	\$ 2,062	\$295,937	

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

#### Douglas Elliman Inc. Stockholders' Equity

	Common Stock		Additional	Accumulated	Non-	Total
	Shares	Amount	Paid-In	Deficit	controlling	
			Capital		Interest	
Balance as of January 1, 2023	80,881,022	\$ 809	\$ 273,111	\$ (5,000)	\$ 1,537	\$ 270,457
Net loss	—	—	—	(22,843)	(175)	(23,018)
Distributions and dividends on common stock (\$0.05 per share)	(372)	—	(4,222)	—	—	(4,222)
Restricted stock grants	3,535,000	35	(35)	—	—	—
Withholding of shares as payment of tax liabilities in connection with restricted stock vesting	(3,935)	—	(11)	—	—	(11)
Effect of stock dividend	4,220,604	42	(42)	—	—	—
Stock-based compensation	—	—	6,224	—	—	6,224
Balance as of June 30, 2023	88,632,319	\$ 886	\$ 275,025	\$ (27,843)	\$ 1,362	\$ 249,430

	Common Stock		Additional	Retained	Non-	Total
	Shares	Amount	Paid-In	Earnings	controlling	
			Capital		Interest	
Balance as of January 1, 2022	81,210,626	\$ 812	\$ 278,500	\$ 622	\$ 1,939	\$ 281,873
Net income (loss)	—	—	—	16,756	(252)	16,504
Distributions and dividends on common stock (\$0.10 per share)	—	—	—	(8,126)	—	(8,126)
Restricted stock grants	65,000	1	(1)	—	—	—
Stock-based compensation	—	—	5,311	—	—	5,311
Contributions from non-controlling interest	—	—	—	—	375	375
Balance as of June 30, 2022	81,275,626	\$ 813	\$ 283,810	\$ 9,252	\$ 2,062	\$ 295,937

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

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

	Three Months Ended		Six Months Ended	
	March 31,		June 30,	
	2023	2022	2023	2022
Cash flows from operating activities:	Cash flows from operating activities:		Cash flows from operating activities:	
Net (loss) income	Net (loss) income	\$ (17,840)	Net (loss) income	\$ (23,018)
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Depreciation and amortization	Depreciation and amortization	2,039	Depreciation and amortization	4,032
Non-cash stock-based compensation expense	Non-cash stock-based compensation expense	2,823	Non-cash stock-based compensation expense	6,224
Loss on sale of assets	Loss on sale of assets	—	Loss on sale of assets	—
		2,079		4,065
		2,652		5,311
		10		10



Deferred income taxes	Deferred income taxes	(5,390)	—	Deferred income taxes	(6,682)	—
Net losses (gains) on investment securities		454	(752)			
Net gains on investment securities				Net gains on investment securities	(82)	(1,418)
Equity in losses (earnings) from equity-method investments	Equity in losses (earnings) from equity-method investments	73	(532)	Equity in losses (earnings) from equity-method investments	153	(418)
Distributions from equity-method investments				Distributions from equity-method investments	—	653
Non-cash lease expense	Non-cash lease expense	5,400	4,876	Non-cash lease expense	10,877	9,971
Provision for credit losses	Provision for credit losses	1,428	558	Provision for credit losses	2,750	1,092
Changes in assets and liabilities:	Changes in assets and liabilities:			Changes in assets and liabilities:		
Receivables	Receivables	(10,361)	339	Receivables	(5,358)	(4,954)
Income taxes receivables, net	Income taxes receivables, net	(100)	1,167	Income taxes receivables, net	(100)	193
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	13,257	1,246	Accounts payable and accrued liabilities	14,148	(3,218)
Operating right-of-use assets and operating lease liabilities, net	Operating right-of-use assets and operating lease liabilities, net	(5,568)	(5,868)	Operating right-of-use assets and operating lease liabilities, net	(11,414)	(11,990)
Accrued salary and benefits	Accrued salary and benefits	(14,857)	(18,070)	Accrued salary and benefits	(11,709)	(12,595)
Other	Other	(2,933)	(770)	Other	(2,961)	(369)
Net cash used in operating activities		(31,575)	(6,780)			
Net cash (used in) provided by operating activities				Net cash (used in) provided by operating activities	(23,140)	2,837
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Investments in equity-method investments	Investments in equity-method investments	—	(100)	Investments in equity-method investments	—	(100)
Distributions from equity-method investments	Distributions from equity-method investments	—	60	Distributions from equity-method investments	—	75
Purchase of debt securities	Purchase of debt securities	(25)	(701)	Purchase of debt securities	(25)	(701)
Proceeds from sale or liquidation of long-term investments				Proceeds from sale or liquidation of long-term investments	408	—
Purchase of equity securities	Purchase of equity securities	(275)	(25)	Purchase of equity securities	(300)	(1,025)
Purchase of long-term investments	Purchase of long-term investments	(55)	(200)	Purchase of long-term investments	(180)	(425)
Capital expenditures	Capital expenditures	(3,627)	(849)	Capital expenditures	(4,614)	(4,367)

Net cash used in investing activities	Net cash used in investing activities	(3,982)	(1,815)	Net cash used in investing activities	(4,711)	(6,543)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Repayment of debt	Repayment of debt	—	(3,129)	Repayment of debt	—	(6,264)
Dividends on common stock	Dividends on common stock	(4,221)	(4,062)	Dividends on common stock	(4,222)	(8,120)
Contributions from non-controlling interest	Contributions from non-controlling interest	—	375	Contributions from non-controlling interest	—	375
Tax benefit of options exercised				Tax benefit of options exercised	(11)	—
Earn out payments	Earn out payments	—	(18)	Earn out payments	—	(100)
Net cash used in financing activities	Net cash used in financing activities	(4,221)	(6,834)	Net cash used in financing activities	(4,233)	(14,109)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(39,778)	(15,429)	Net decrease in cash, cash equivalents and restricted cash	(32,084)	(17,815)
Cash, cash equivalents and restricted cash, beginning of period	Cash, cash equivalents and restricted cash, beginning of period	171,382	228,866	Cash, cash equivalents and restricted cash, beginning of period	171,382	228,866
Cash, cash equivalents and restricted cash, end of period	Cash, cash equivalents and restricted cash, end of period	\$ 131,604	\$ 213,437	Cash, cash equivalents and restricted cash, end of period	\$ 139,298	\$ 211,051

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

**DOUGLAS ELLIMAN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation:**

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

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

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

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

**(b) Principles of Consolidation:**

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

consolidated financial statements.

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

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**(c) Estimates and Assumptions:**

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

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

The Company has restricted stock awards which will provide cash dividends at the same rate as paid on the common stock with respect to the shares underlying the restricted stock awards. These outstanding restricted stock awards represent participating securities under authoritative guidance. The participating securities holders do not participate in the Company's net losses. The Company first paid dividends a cash dividend during each of the three months quarters beginning with the quarter ended March 31, 2022 and most recently paid a dividend during the three months ended through March 31, 2023.

As a result, in its calculation of basic EPS and diluted EPS for the three and six months ended March 31, 2022 June 30, 2022, the Company adjusted its net income for the effect of these participating securities. There were no outstanding participating non-participating securities during the three and six months ended March 31, 2023 June 30, 2023.

		Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022	2023	2022
Net (loss) income attributable to Douglas Elliman Inc.	Net (loss) income attributable to Douglas Elliman Inc.	\$ (17,624)	\$ 6,510	\$ (5,219)	\$ 10,246	\$ (22,843)	\$ 16,756
Income attributable to participating securities	Income attributable to participating securities	(307)	(275)	—	(439)	(307)	(714)
Net (loss) income available to common stockholders attributed to Douglas Elliman Inc.	Net (loss) income available to common stockholders attributed to Douglas Elliman Inc.	\$ (17,931)	\$ 6,235	\$ (5,219)	\$ 9,807	\$ (23,150)	\$ 16,042

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

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

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

Three Months Ended	Three Months Ended	Six Months Ended
--------------------	--------------------	------------------

		March 31,		June 30,		June 30,	
		2023	2022	2023	2022	2023	2022
Weighted-average shares for basic EPS	Weighted-average shares for basic EPS	78,279,772	77,666,210	82,195,791	81,549,521	82,194,781	81,549,521
Incremental shares related to non-vested restricted stock	Incremental shares related to non-vested restricted stock	—	54,416	—	57,137	—	57,137
Weighted-average shares for diluted EPS	Weighted-average shares for diluted EPS	78,279,772	77,720,626	82,195,791	81,606,658	82,194,781	81,606,658

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

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

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

(Dollars in Thousands, Except Per Share Amounts)  
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The components of “Cash, cash equivalents and restricted cash” in the condensed consolidated statements of cash flows were as follows:

		March 31,		June 30,		December 31,	
		2023	2022	2023		2022	
Cash and cash equivalents	Cash and cash equivalents	\$ 123,662	\$ 163,859	\$ 130,418		\$ 163,859	
Restricted cash and cash equivalents included in current assets	Restricted cash and cash equivalents included in current assets	5,404	4,985	6,342		4,985	
Restricted cash and cash equivalents included in other assets	Restricted cash and cash equivalents included in other assets	2,538	2,538	2,538		2,538	
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	\$ 131,604	\$ 171,382	\$ 139,298		\$ 171,382	

**(f) Related Party Transactions:**

*Agreements with Vector Group Ltd.* (“Vector Group”) The Company paid Vector Group \$1,050 and \$1,050 \$2,100 under the Transition Services Agreement during the three and six months ended June 30, 2023 and \$491 2022, respectively and \$734 and \$1,296 under the Aircraft Lease Agreement during the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$686 and \$1,177 for the three and six months ended June 30, 2022, respectively.

Vector Group has agreed to indemnify the Company for certain tax matters under the Tax Disaffiliation Agreement. The Company recorded Other income of \$553 for three and six months ended June 30, 2022 and did not record any income for the three and six months ended June 30, 2023 related to the tax indemnifications.

*Real estate commissions.* Real estate commissions include commissions of approximately \$842 0 and \$900 \$842 for the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$201 and \$4,228 for the three and six months ended June 30, 2022, respectively, from projects where the Company has been engaged by certain

developers as the sole broker or the co-broker for several of the real estate development projects that Vector Group owns an interest in through its real estate venture investments.

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**(g) Investment and Other (Losses) Income:**

Investment and other (losses) income consists of the following:

	Three Months Ended March 31,	
	2023	2022
Net (losses) gains recognized on PropTech convertible trading debt securities	\$ (352)	\$ 154
Net (losses) gains recognized on long-term investments at fair value	(102)	598
Investment and other (losses) income	<u>\$ (454)</u>	<u>\$ 752</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net gains recognized on PropTech convertible trading debt securities	\$ 540	\$ 521	\$ 188	\$ 675
Net (losses) gains recognized on long-term investments at fair value	(4)	145	(106)	743
Income related to Tax Disaffiliation indemnification	—	553	—	553
Investment and other income	<u>\$ 536</u>	<u>\$ 1,219</u>	<u>\$ 82</u>	<u>\$ 1,971</u>

**(h) Restructuring:**

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

	Employee Severance and Benefits
Severance liability balance at January 1, 2023	\$ —
Severance expense	1,210 1,717
Severance payments	(223) (588)
Severance liability at March 31, 2023 June 30, 2023	<u>\$ 987 1,129</u>

**(i) Other Comprehensive Income:**

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

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**(j) Subsequent Events:**

The Company has evaluated subsequent events through **May 15, 2023** **August 9, 2023**, the date the financial statements were issued.

**(k) New Accounting Pronouncements:**

Accounting Standards Updates ("ASUs") to be adopted in 2023: 2023:

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

Accounting Standards Updates ("ASUs") adopted

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

**(Dollars in 2023: Thousands, Except Per Share Amounts)**  
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In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820), Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security. The standard also requires certain disclosures for equity securities that are subject to contractual restrictions. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Adoption of this update did not have a material impact on the Company's condensed consolidated financial statements.

SEC Proposed Rule Changes

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

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

**(Dollars in Thousands, Except Per Share Amounts)**  
**Unaudited**

**2. REVENUE RECOGNITION**

**Disaggregation of Revenue**

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

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

	Three Months Ended June 30, 2023				
	New York City	Northeast	Southeast	West	Total
<u>Revenues:</u>					
Commission and other brokerage income - existing home sales	\$ 82,448	\$ 48,948	\$ 66,889	\$ 50,095	\$ 248,380
Commission and other brokerage income - development marketing	6,900	242	6,217	750	14,109
Property management revenue	9,195	180	—	—	9,375
Escrow and title fees	526	227	—	3,295	4,048

Total revenue	\$ 99,069	\$ 49,597	\$ 73,106	\$ 54,140	\$ 275,912
<b>Three Months Ended June 30, 2022</b>					
	<b>New York City</b>	<b>Northeast</b>	<b>Southeast</b>	<b>West</b>	<b>Total</b>
<b>Revenues:</b>					
Commission and other brokerage income - existing home sales	\$ 107,656	\$ 62,712	\$ 91,885	\$ 62,580	\$ 324,833
Commission and other brokerage income - development marketing	17,808	—	3,968	2,222	23,998
Property management revenue	9,893	153	—	—	10,046
Escrow and title fees	1,190	436	—	3,856	5,482
Total revenue	\$ 136,547	\$ 63,301	\$ 95,853	\$ 68,658	\$ 364,359

	Three Months Ended March 31, 2022						Six Months Ended June 30, 2023					
	New York						New York					
	City	Northeast	Southeast	West	Total		City	Northeast	Southeast	West	Total	
Revenues:	Revenues:						Revenues:					
Commission and other brokerage income - existing home sales	Commission and other brokerage income - existing home sales	\$ 92,388	\$ 50,079	\$ 80,824	\$ 51,884	\$ 275,175	Commission and other brokerage income - existing home sales	\$ 140,246	\$ 82,053	\$ 121,343	\$ 87,994	\$ 431,636
Commission and other brokerage income - development marketing	Commission and other brokerage income - development marketing	11,369	—	8,216	349	19,934	Commission and other brokerage income - development marketing	14,663	861	16,277	1,088	32,889
Property management revenue	Property management revenue	9,041	158	—	—	9,199	Property management revenue	17,775	377	—	—	18,152
Escrow and title fees	Escrow and title fees	717	271	—	3,604	4,592	Escrow and title fees	925	437	—	5,855	7,217
Total revenue	Total revenue	\$ 113,515	\$ 50,508	\$ 89,040	\$ 55,837	\$ 308,900	Total revenue	\$ 173,609	\$ 83,728	\$ 137,620	\$ 94,937	\$ 489,894

### Contract Balances

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

	<b>March 31,</b>	
	<b>2023</b>	<b>December 31, 2022</b>
Receivables, which are included in receivables	\$ 2,721	\$ 3,063
Contract assets, net, which are included in other current assets	4,184	4,453
Contract assets, net, which are in other assets	36,004	38,913
Payables, which are included in other current liabilities	2,044	2,291
Contract liabilities, which are in current liabilities	7,711	8,222
Contract liabilities, which are in other liabilities	52,837	54,706

The Company recognized revenue of \$1,614 for the three months ended March 31, 2023, that were included in the contract liabilities balances at December 31, 2022. The Company recognized revenue of \$8,069 for the three months ended March 31, 2022, that were included in the contract liabilities balances at December 31, 2021.

<b>Six Months Ended June 30, 2022</b>					
	<b>New York City</b>	<b>Northeast</b>	<b>Southeast</b>	<b>West</b>	<b>Total</b>
<b>Revenues:</b>					

Commission and other brokerage income - existing home sales	\$ 200,044	\$ 112,791	\$ 172,709	\$ 114,464	\$ 600,008
Commission and other brokerage income - development marketing	29,177	—	12,184	2,571	43,932
Property management revenue	18,934	311	—	—	19,245
Escrow and title fees	1,907	707	—	7,460	10,074
Total revenue	<u>\$ 250,062</u>	<u>\$ 113,809</u>	<u>\$ 184,893</u>	<u>\$ 124,495</u>	<u>\$ 673,259</u>

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

(Dollars in Thousands, Except Per Share Amounts)

Unaudited

**Contract Balances**

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

	June 30, 2023	December 31, 2022
Receivables, which are included in receivables	\$ 2,487	\$ 3,063
Contract assets, net, which are included in other current assets	4,841	4,453
Contract assets, net, which are in other assets	35,113	38,913
Payables, which are included in other current liabilities	1,853	2,291
Contract liabilities, which are in current liabilities	9,154	8,222
Contract liabilities, which are in other liabilities	52,143	54,706

The Company recognized revenue of \$4,847 and \$6,461 for the three and six months ended June 30, 2023, respectively, that were included in the contract liabilities balances at December 31, 2022. The Company recognized revenue of \$7,287 and \$15,356 for the three and six months ended June 30, 2022, respectively, that were included in the contract liabilities balances at December 31, 2021.

**3. CURRENT EXPECTED CREDIT LOSSES**

*Real estate broker agent receivables:* Douglas Elliman Realty is exposed to credit losses for various amounts due from real estate agents, which are included in Other current assets on the condensed consolidated balance sheets, net of an allowance for credit losses. The Company estimates its allowance for credit losses on receivables from agents based on an evaluation of aging, agent sales in pipeline, any security, specific exposures, historical experience of collections from the individual agents, and current and expected future market trends. The Company estimated that the credit losses for these receivables were \$11,850 \$12,346 and \$10,916 at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

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

	January 1, 2023	Current Period Provision	Write- offs	Recoveries	March 31, 2023		January 1, 2023	Current Period Provision	Write- offs	Recoveries	June 30, 2023
<u>Allowance for credit losses:</u>	<u>Allowance for credit losses:</u>					<u>Allowance for credit losses:</u>					
Real estate broker agent receivables	Real estate broker agent receivables	(1)				Real estate broker agent receivables	(1)				
		\$ 10,916	\$ 1,428	\$ 494	\$ —		\$ 10,916	\$ 2,750	\$ 1,320	\$ —	\$ 12,346

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

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

January 1, 2022	Current Period Provision	Write- offs	Recoveries	March 31, 2022	January 1, 2022	Current Period Provision	Write- offs	Recoveries	June 30, 2022
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<u>Allowance for credit losses:</u>	<u>Allowance for credit losses:</u>							<u>Allowance for credit losses:</u>						
Real estate broker agent receivables	Real estate broker agent receivables			(1)				Real estate broker agent receivables			(1)			
		\$	8,607	\$	558	\$	332	\$	—	\$	8,833			
												\$	8,607	\$ 1,448 \$ 414 \$ — \$ 9,641

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

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**4. LEASES**

Leases

The Company has operating leases for corporate and sales offices and equipment. The components of lease expense were as follows:

		<b>Three Months Ended</b>		<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>March 31,</b>		<b>June 30,</b>		<b>June 30,</b>	
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating lease cost	Operating lease cost	\$ 8,325	\$ 8,169	\$ 8,320	\$ 8,300	\$ 16,645	\$ 16,469
Short-term lease cost	Short-term lease cost	278	257	375	281	653	538
Variable lease cost	Variable lease cost	1,078	985	1,052	943	2,130	1,928
Less: Sublease income	Less: Sublease income	(153)	(121)	(156)	(152)	(309)	(273)
Total lease cost	Total lease cost	\$ 9,528	\$ 9,290	\$ 9,591	\$ 9,372	\$ 19,119	\$ 18,662

Supplemental cash flow information related to leases was as follows:

		<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>March 31,</b>		<b>June 30,</b>	
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Cash paid for amounts included in measurement of lease liabilities:</u>	<u>Cash paid for amounts included in measurement of lease liabilities:</u>				
Operating cash flows from operating leases	Operating cash flows from operating leases	\$ 8,524	\$ 9,196	\$ 17,231	\$ 18,565
<u>Right-of-use assets obtained in exchange for lease obligations:</u>	<u>Right-of-use assets obtained in exchange for lease obligations:</u>				
Operating leases	Operating leases	732	6,984	6,296	10,617

Supplemental balance sheet information related to leases was as follows:

<b>March 31,</b>	<b>December 31,</b>	<b>June 30,</b>	<b>December 31,</b>
<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>

<u>Weighted average remaining lease term:</u>	<u>Weighted average remaining lease term:</u>				<u>Weighted average remaining lease term:</u>					
Operating leases	Operating leases	6.90			7.03	Operating leases	6.73		7.03	
<u>Weighted average discount rate:</u>	<u>Weighted average discount rate:</u>				<u>Weighted average discount rate:</u>					
Operating leases	Operating leases	8.75	%	8.73	%	Operating leases	8.66	%	8.73	%

As of June 30, 2023, maturities of lease liabilities were as follows:

	Operating Leases
Period Ending December 31:	
Remainder of 2023	\$ 17,520
2024	32,000
2025	27,433
2026	25,107
2027	22,314
2028	19,294
Thereafter	46,053
Total lease payments	189,721
Less imputed interest	(52,003)
Total	\$ 137,718

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

(Dollars in Thousands, Except Per Share Amounts)  
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As of March 31, 2023, maturities of lease liabilities were as follows:

	Operating Leases
Period Ending December 31:	
Remainder of 2023	\$ 25,989
2024	29,863
2025	25,096
2026	22,733
2027	19,912
2028	18,129
Thereafter	46,053
Total lease payments	187,775
Less imputed interest	(49,775)
Total	\$ 138,000

As of March 31, 2023, the Company had \$217,394 in undiscounted lease payments relating to an operating lease for office space that has not yet commenced. The operating lease has a lease term of approximately five years and is expected to commence during the third quarter of 2023.

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**5. LONG-TERM INVESTMENTS**

Long-term investments consisted of the following:

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
PropTech convertible trading debt securities	PropTech convertible trading debt securities	\$ 2,630	\$ 2,957	PropTech convertible trading debt securities	\$ 1,321	\$ 2,957
Long-term investment securities at fair value <sup>(1)</sup>	Long-term investment securities at fair value <sup>(1)</sup>	2,715	3,262	Long-term investment securities at fair value <sup>(1)</sup>	2,836	3,262
PropTech investments at cost	PropTech investments at cost	8,863	8,588	PropTech investments at cost	9,164	8,588
PropTech investments at equity method	PropTech investments at equity method	497	—	PropTech investments at equity method	588	—
Total investments	Total investments	14,705	14,807	Total investments	13,909	14,807
Less PropTech current convertible trading debt securities <sup>(2)</sup>	Less PropTech current convertible trading debt securities <sup>(2)</sup>	1,539	1,875	Less PropTech current convertible trading debt securities <sup>(2)</sup>	230	1,875
Less PropTech investments accounted for under the equity method	Less PropTech investments accounted for under the equity method	497	—	Less PropTech investments accounted for under the equity method	588	—
Total long-term investments	Total long-term investments	\$ 12,669	\$ 12,932	Total long-term investments	\$ 13,091	\$ 12,932

<sup>(1)</sup> These assets are measured at net asset value ("NAV") as a practical expedient under ASC 820.

<sup>(2)</sup> These amounts are included in Other current assets on the condensed consolidated balance sheets.

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

	Three Months Ended March 31,	
	2023	2022
Net realized (losses) gains recognized on PropTech convertible trading debt securities	\$ (352)	\$ 154
Net unrealized (losses) gains recognized on long-term investments at fair value	(102)	598
Net realized and unrealized (losses) gains recognized on long-term investment securities	\$ (454)	\$ 752

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net realized gains recognized on PropTech convertible trading debt securities	\$ 540	\$ 521	\$ 188	\$ 675
Net unrealized (losses) gains recognized on long-term investments at fair value	(4)	145	(106)	743
Net realized and unrealized gains recognized on long-term investment securities	\$ 536	\$ 666	\$ 82	\$ 1,418

**(a) PropTech Convertible Trading Debt Securities:**

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

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

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

	Three Months Ended March 31,	
	2023	2022
Net unrealized (losses) gains recognized on long-term investment securities	\$ (102)	\$ 598

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net unrealized (losses) gains recognized on long-term investment securities	\$ (4)	\$ 145	\$ (106)	\$ 743

The Company has unfunded commitments of \$1,030 \$905 related to long-term investment securities at fair value as of March 31, 2023 June 30, 2023.

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

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

Equity securities without readily determinable fair values that do not qualify for the NAV practical expedient consisted of investments in various limited liability companies at March 31, 2023 June 30, 2023. During the three six months ended March 31, 2023 June 30, 2023, New Valley Ventures invested \$250 into one additional new PropTech venture and \$50 into an existing PropTech venture. The investment is During the three months ended June 30, 2023, one of the convertible trading debt securities converted into equity and was classified as an equity security without a readily determinable fair value. The total carrying value of these investments equity securities without readily determinable fair values that do not qualify for the NAV practical expedient was \$8,863 \$9,164 as of March 31, 2023 June 30, 2023. No impairment or other adjustments related to observable price changes in orderly transactions for identical or similar investments were identified for the three six months ended March 31, 2023 June 30, 2023.

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

**6. EQUITY METHOD INVESTMENTS**

Equity method investments consisted of the following:

	March 31, 2023		December 31, 2022	
Ancillary services ventures	\$	2,055	\$	1,629

  

	June 30, 2023		December 31, 2022	
Ancillary services ventures	\$	1,975	\$	1,629

At March 31, 2023 June 30, 2023, the Company's ownership percentages in these investments ranged from 17.0% 10.9% to 50.0%; therefore, the Company accounts for these investments under the equity method of accounting.

*VIE Consideration:*

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

*Maximum Exposure to Loss:*

The Company's maximum exposure to loss from its equity method investments consists of the net carrying value of the investments adjusted for any future capital commitments and/or guarantee arrangements. The maximum exposure to loss was \$2,055,197 as of March 31, 2023 June 30, 2023.

## 7. CONTINGENCIES

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

## 8. INCOME TAXES

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

	Three Months Ended	
	March 31,	
	2023	2022
(Loss) income before provision for income taxes	\$ (23,230)	\$ 9,202
Income tax (benefit) expense using estimated annual effective income tax rate	(5,390)	2,917
Income tax (benefit) expense	\$ (5,390)	\$ 2,917

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

## 8. INCOME TAXES

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
(Loss) income before provision for income taxes	\$ (6,471)	\$ 15,765	\$ (29,701)	\$ 24,967
Income tax (benefit) expense using estimated annual effective income tax rate	(1,456)	5,344	(6,683)	8,463
Changes in effective tax rates	163	202	—	—
Income tax (benefit) expense	\$ (1,293)	\$ 5,546	\$ (6,683)	\$ 8,463

## 9. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Description	Description	Fair Value Measurements as of March 31, 2023				Description	Fair Value Measurements as of June 30, 2023			
		Total	Quoted	Significant	Significant		Quoted	Significant	Significant	
			Prices in				Prices in			
			Active				Active			
			Markets for				Markets for			
Identical	Other	Identical	Other	Identical	Other	Identical	Other			
Assets	Observable	Assets	Observable	Assets	Observable	Assets	Observable			
(Level 1)	Inputs	(Level 1)	Inputs	(Level 1)	Inputs	(Level 1)	Inputs			
(Level 2)	Inputs	(Level 2)	Inputs	(Level 2)	Inputs	(Level 2)	Inputs			
(Level 3)	Inputs	(Level 3)	Inputs	(Level 3)	Inputs	(Level 3)	Inputs			
Assets:	Assets:				Assets:					

Money market funds <sup>(1)</sup>	Money market funds <sup>(1)</sup>	\$ 105,647	\$ 105,647	\$ —	\$ —	Money market funds <sup>(1)</sup>	\$ 120,019	\$ 120,019	\$ —	\$ —
Certificates of deposit <sup>(2)</sup>	Certificates of deposit <sup>(2)</sup>	507	—	507	—	Certificates of deposit <sup>(2)</sup>	507	—	507	—
PropTech convertible trading debt securities	PropTech convertible trading debt securities	1,539	—	—	1,539	PropTech convertible trading debt securities	230	—	—	230
Long-term investments	Long-term investments					Long-term investments				
PropTech convertible trading debt securities	PropTech convertible trading debt securities	1,091	—	—	1,091	PropTech convertible trading debt securities	1,091	—	—	1,091
Long-term investment securities at fair value <sup>(3)</sup>	Long-term investment securities at fair value <sup>(3)</sup>	2,715	—	—	—	Long-term investment securities at fair value <sup>(3)</sup>	2,836	—	—	—
Total long-term investments	Total long-term investments	3,806	—	—	1,091	Total long-term investments	3,927	—	—	1,091
Total assets	Total assets	\$ 111,499	\$ 105,647	\$ 507	\$ 2,630	Total assets	\$ 124,683	\$ 120,019	\$ 507	\$ 1,321

<sup>(1)</sup> Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets, except for \$5,404 \$6,342 that is included in current restricted cash and cash equivalents and \$2,538 that is included in non-current restricted assets.

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

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

#### DOUGLAS ELLIMAN INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)

Unaudited

#### Fair Value Measurements as of December 31, 2022

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

<sup>(1)</sup> Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets, except for \$4,985 that is included in current restricted assets and \$2,538 that is included in non-current restricted assets.

- (2) Amounts included in current restricted assets and non-current restricted assets on the condensed consolidated balance sheets.
- (3) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy.

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

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

(Dollars in Thousands, Except Per Share Amounts)  
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The fair values of the Level 3 PropTech convertible trading debt securities were derived using a discounted cash flow model utilizing a probability-weighted expected return method based on the probabilities of different potential outcomes for the convertible trading debt securities.

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

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

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at		Valuation Technique	Unobservable Input
	March 31, 2023	June 30, 2023		
PropTech convertible trading debt securities	\$	2,630 1,321	Discounted cash flow	Interest rate
				Maturity
				Volatility
				Discount rate
				Range (Actual)
				4% and 8% 5%
				June Dec 2023 - Feb 2025
				56.9% - 101.9% 76.2%
				33.62% - 190.38% 52.51%

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

(Dollars in Thousands, Except Per Share Amounts)  
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The unobservable inputs related to the valuations of the Level 3 assets and liabilities were as follows at December 31, 2022:

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

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

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

## 10. SEGMENT INFORMATION

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

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

	Real Estate Brokerage	Corporate and Other	Total		Real Estate Brokerage	Corporate and Other	Total
<u>Three months ended June 30, 2023</u>				<u>Three months ended June 30, 2023</u>			
Revenues				Revenues	\$ 275,912	\$ —	\$ 275,912
Operating loss				Operating loss	(1,014) <sup>(1)</sup>	(7,283)	(8,297)
Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>				Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	2,481	(5,043)	(2,562)
Depreciation and amortization				Depreciation and amortization	1,993	—	1,993
<u>Three months ended June 30, 2022</u>				<u>Three months ended June 30, 2022</u>			
Revenues				Revenues	\$ 364,359	\$ —	\$ 364,359
Operating income (loss)				Operating income (loss)	21,575	(6,947)	14,628
Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>				Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	24,424	(5,222)	19,202
Depreciation and amortization				Depreciation and amortization	1,986	—	1,986
<u>Three months ended March 31, 2023</u>							
<u>Six months ended June 30, 2023</u>				<u>Six months ended June 30, 2023</u>			
Revenues	Revenues	\$ 213,982	\$ —	Revenues	\$ 489,894	\$ —	\$ 489,894
Operating loss	Operating loss	(17,343) <sup>(1)</sup>	(6,465)	Operating loss	(18,357) <sup>(3)</sup>	(13,748)	(32,105)
Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	(12,984)	(4,661)	Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	(10,503)	(9,704)	(20,207)
Depreciation and amortization	Depreciation and amortization	2,039	—	Depreciation and amortization	4,032	—	4,032
Capital expenditures	Capital expenditures	3,627	—	Capital expenditures	4,614	—	4,614



Three months ended March 31, 2022														
Six months ended June 30, 2022						Six months ended June 30, 2022								
Revenues	Revenues	\$	308,900	\$	—	\$	308,900	Revenues	\$	673,259	\$	—	\$	673,259
Operating income (loss)	Operating income (loss)		14,541		(6,662)		7,879	Operating income (loss)		36,116		(13,609)		22,507
Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>	Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>		17,662		(4,935)		12,727	Adjusted EBITDA attributed to Douglas Elliman <sup>(2)</sup>		42,086		(10,157)		31,929
Depreciation and amortization	Depreciation and amortization		2,079		—		2,079	Depreciation and amortization		4,065		—		4,065
Capital expenditures	Capital expenditures		849		—		849	Capital expenditures		4,367		—		4,367

(1) Operating loss includes \$1,210 \$507 of restructuring expense.

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

	Three Months Ended March 31,	
	2023	2022
<u>Real estate brokerage segment</u>		
Operating (loss) income	\$ (17,343)	\$ 14,541
Depreciation and amortization	2,039	2,079
Stock-based compensation	1,019	925
Restructuring	1,210	—
Adjusted EBITDA	(13,075)	17,545
Adjusted EBITDA attributed to non-controlling interest	91	117
Adjusted EBITDA attributed to Douglas Elliman	\$ (12,984)	\$ 17,662
<u>Corporate and other segment</u>		
Operating loss	\$ (6,465)	\$ (6,662)
Stock-based compensation	1,804	1,727
Adjusted EBITDA attributed to Douglas Elliman	\$ (4,661)	\$ (4,935)

(3) Operating loss includes \$1,717 of restructuring expense.

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

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<u>Real estate brokerage segment</u>				
Operating (loss) income	\$ (1,014)	21,575	\$ (18,357)	\$ 36,116
Depreciation and amortization	1,993	1,986	4,032	4,065
Stock-based compensation	1,161	934	2,180	1,859

Restructuring	507	—	1,717	—
Adjusted EBITDA	2,647	24,495	(10,428)	42,040
Adjusted EBITDA attributed to non-controlling interest	(166)	(71)	(75)	46
Adjusted EBITDA attributed to Douglas Elliman	\$ 2,481	\$ 24,424	\$ (10,503)	\$ 42,086
<b>Corporate and other segment</b>				
Operating loss	\$ (7,283)	\$ (6,947)	\$ (13,748)	\$ (13,609)
Stock-based compensation	2,240	1,725	4,044	3,452
Adjusted EBITDA attributed to Douglas Elliman	\$ (5,043)	\$ (5,222)	\$ (9,704)	\$ (10,157)

## 11. ESCROW FUNDS IN HOLDING

As a service to its customers, Portfolio Escrow Inc., a subsidiary of the Company, administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250. Portfolio Escrow Inc. had escrow funds on deposit in the amount of \$27,505 \$37,104 and \$33,533 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, and corresponding escrow funds in holding of the same amount. While these deposits are not assets of the Company (and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets) condensed consolidated balance sheets, the subsidiary of the Company remains contingently liable for the disposition of these deposits.

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

(Dollars in Thousands, Except Per Share Amounts)

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

### Overview

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

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

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

### Key Business Metrics and Non-GAAP Financial Measures

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

#### Key Business Metrics

Key Business Metrics	Key Business Metrics	Last twelve months ended				Key Business Metrics	Last twelve months ended			
		March 31, 2023	Three months ended March 31, 2023	2022	Year ended December 31, 2022		June 30, 2023	Six months ended June 30, 2023	2022	Year ended December 31, 2022
Total transactions <sup>(1)</sup>	Total transactions <sup>(1)</sup>	23,988	4,627	7,212	26,573	Total transactions <sup>(1)</sup>	22,243	10,671	15,001	26,573
Gross transaction value (in billions) <sup>(2)</sup>	Gross transaction value (in billions) <sup>(2)</sup>	\$ 38.6	\$ 7.3	\$ 11.7	\$ 42.9	Gross transaction value (in billions) <sup>(2)</sup>	\$ 34.9	\$ 17.2	\$ 25.3	\$ 42.9

Average transaction value per transaction (in thousands) <sup>(3)</sup>	Average transaction value per transaction (in thousands) <sup>(3)</sup>	\$ 1,608.2	\$ 1,580.4	\$ 1,620.4	\$ 1,616.3	Average transaction value per transaction (in thousands) <sup>(3)</sup>	\$ 1,568.7	\$ 1,614.3	\$ 1,685.5	\$ 1,616.3
Number of Principal Agents <sup>(4)</sup>	Number of Principal Agents <sup>(4)</sup>	5,389	5,389	5,174	5,407	Number of Principal Agents <sup>(4)</sup>	5,386	5,386	5,245	5,407
Annual Retention <sup>(5)</sup>	Annual Retention <sup>(5)</sup>	86 %	N/A	N/A	87 %	Annual Retention <sup>(5)</sup>	87 %	N/A	N/A	87 %
Net (loss) income attributed to Douglas Elliman Inc.	Net (loss) income attributed to Douglas Elliman Inc.	\$ (29,756)	\$ (17,624)	\$ 6,510	\$ (5,622)	Net (loss) income attributed to Douglas Elliman Inc.	\$ (45,221)	\$ (22,843)	\$ 16,756	\$ (5,622)
Net (loss) income margin	Net (loss) income margin	(2.81) %	(8.24) %	2.11 %	(0.49) %	Net (loss) income margin	(4.66) %	(4.66) %	2.49 %	(0.49) %
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	\$ (15,421)	\$ (17,645)	\$ 12,727	\$ 14,951	Adjusted EBITDA attributed to Douglas Elliman	\$ (37,185)	\$ (20,207)	\$ 31,929	\$ 14,951
Adjusted EBITDA attributed to Douglas Elliman margin	Adjusted EBITDA attributed to Douglas Elliman margin	(1.46) %	(8.25) %	4.12 %	1.30 %	Adjusted EBITDA attributed to Douglas Elliman Margin	(3.83) %	(4.12) %	4.74 %	1.30 %

- (1) We calculate total transactions by taking the sum of all transactions closed in which our agent represented the buyer or seller in the purchase or sale of a home (excluding rental transactions). We include a single transaction twice when one or more of our agents represent both the buyer and seller in any given transaction.
- (2) Gross transaction value is the sum of all closing sale prices for homes transacted by our agents (excluding rental transactions). We include the value of a single transaction twice when our agents serve both the home buyer and home seller in the transaction.
- (3) Average transaction value per transaction is the quotient of (x) gross transaction value divided by (y) total transactions.
- (4) The number of Principal Agents is determined as of the last day of the specified period. We use the number of Principal Agents, in combination with our other key business metrics such as total transactions and gross transaction value, as a measure of agent productivity.
- (5) Annual Retention is the quotient of (x) the prior year revenue generated by agents retained divided by (y) the prior year revenue generated by all agents. We use Annual Retention as a measure of agent stability.

#### Non-GAAP Financial Measures

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

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

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

**Computation of Adjusted EBITDA attributed to Douglas Elliman**

		Last twelve months ended March 31, 2023	Three months ended March 31, 2023	2022	Year ended December 31, 2022		Last twelve months ended June 30, 2023	Six months ended June 30, 2023	2022	Year ended December 31, 2022
Net (loss) income attributed to Douglas Elliman Inc.	Net (loss) income attributed to Douglas Elliman Inc.	\$ (29,756)	\$ (17,624)	\$ 6,510	\$ (5,622)	Net (loss) income attributed to Douglas Elliman Inc.	\$ (45,221)	\$ (22,843)	\$ 16,756	\$ (5,622)
Interest income, net	Interest income, net	(2,845)	(1,105)	(39)	(1,779)	Interest income, net	(4,183)	(2,475)	(71)	(1,779)
Income tax (benefit) expense	Income tax (benefit) expense	(1,804)	(5,390)	2,917	6,503	Income tax (benefit) expense	(8,643)	(6,683)	8,463	6,503
Net loss attributed to non-controlling interest	Net loss attributed to non-controlling interest	(768)	(216)	(225)	(777)	Net loss attributed to non-controlling interest	(700)	(175)	(252)	(777)
Depreciation and amortization	Depreciation and amortization	7,972	2,039	2,079	8,012	Depreciation and amortization	7,979	4,032	4,065	8,012
Stock-based compensation <sup>(a)</sup>	Stock-based compensation <sup>(a)</sup>	11,309	2,823	2,652	11,138	Stock-based compensation <sup>(a)</sup>	12,051	6,224	5,311	11,138
Equity in losses (earnings) from equity method investments <sup>(b)</sup>	Equity in losses (earnings) from equity method investments <sup>(b)</sup>	1,168	73	(532)	563	Equity in losses (earnings) from equity method investments <sup>(b)</sup>	1,134	153	(418)	563
Restructuring	Restructuring	1,210	1,210	—	—	Restructuring	1,717	1,717	—	—
Other, net	Other, net	(2,223)	454	(752)	(3,429)	Other, net	(1,540)	(82)	(1,971)	(3,429)
Adjusted EBITDA	Adjusted EBITDA	(15,737)	(17,736)	12,610	14,609	Adjusted EBITDA	(37,406)	(20,132)	31,883	14,609
Adjusted EBITDA attributed to non-controlling interest	Adjusted EBITDA attributed to non-controlling interest	316	91	117	342	Adjusted EBITDA attributed to non-controlling interest	221	(75)	46	342
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	\$ (15,421)	\$ (17,645)	\$ 12,727	\$ 14,951	Adjusted EBITDA attributed to Douglas Elliman	\$ (37,185)	\$ (20,207)	\$ 31,929	\$ 14,951
<u>Real estate brokerage segment</u>	<u>Real estate brokerage segment</u>					<u>Real estate brokerage segment</u>				
Operating (loss) income	Operating (loss) income	\$ (9,891)	\$ (17,343)	\$ 14,541	\$ 21,993	Operating (loss) income	\$ (32,480)	\$ (18,357)	\$ 36,116	\$ 21,993
Depreciation and amortization	Depreciation and amortization	7,972	2,039	2,079	8,012	Depreciation and amortization	7,979	4,032	4,065	8,012
Stock-based compensation	Stock-based compensation	4,289	1,019	925	4,195	Stock-based compensation	4,516	2,180	1,859	4,195
Restructuring	Restructuring	1,210	1,210	—	—	Restructuring	1,717	1,717	—	—
Adjusted EBITDA	Adjusted EBITDA	3,580	(13,075)	17,545	34,200	Adjusted EBITDA	(18,268)	(10,428)	42,040	34,200

Adjusted EBITDA attributed to non-controlling interest	Adjusted EBITDA attributed to non-controlling interest	316	91	117	342	Adjusted EBITDA attributed to non-controlling interest	221	(75)	46	342
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	\$ 3,896	\$ (12,984)	\$ 17,662	\$ 34,542	Adjusted EBITDA attributed to Douglas Elliman	\$ (18,047)	\$ (10,503)	\$ 42,086	\$ 34,542
Corporate and other segment	Corporate and other segment					Corporate and other segment				
Operating loss	Operating loss	\$ (26,337)	\$ (6,465)	\$ (6,662)	\$ (26,534)	Operating loss	\$ (26,673)	\$ (13,748)	\$ (13,609)	\$ (26,534)
Stock-based compensation	Stock-based compensation	7,020	1,804	1,727	6,943	Stock-based compensation	7,535	4,044	3,452	6,943
Adjusted EBITDA attributed to Douglas Elliman	Adjusted EBITDA attributed to Douglas Elliman	\$ (19,317)	\$ (4,661)	\$ (4,935)	\$ (19,591)	Adjusted EBITDA attributed to Douglas Elliman	\$ (19,138)	\$ (9,704)	\$ (10,157)	\$ (19,591)
Total adjusted EBITDA attributed to Douglas Elliman	Total adjusted EBITDA attributed to Douglas Elliman	\$ (15,421)	\$ (17,645)	\$ 12,727	\$ 14,951	Total adjusted EBITDA attributed to Douglas Elliman	\$ (37,185)	\$ (20,207)	\$ 31,929	\$ 14,951

- (a) Represents amortization of stock-based compensation. \$4,289, \$1,019, \$925, \$4,516, \$2,180, \$1,859, and \$4,195 are attributable to the Real estate brokerage segment for the last twelve months ended March 31, 2023, June 30, 2023, the three six months ended March 31, 2023, June 30, 2023, and 2022, and the year ended December 31, 2022, respectively. \$7,020, \$1,804, \$1,727, \$7,535, \$4,044, \$3,452, and \$6,943 are attributable to the Corporate and other segment for the last twelve months ended March 31, 2023, June 30, 2023, the three six months ended March 31, 2023, June 30, 2023, and 2022, and the year ended December 31, 2022, respectively.
- (b) Represents equity in losses (earnings) recognized from the Company's investment in an equity method investment that is accounted for under the equity method and is not consolidated in the Company's financial results.

## Results of Operations

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

### Three months ended March 31, 2023, June 30, 2023 Compared to the Three months ended March 31, 2022, June 30, 2022

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

	Three Months Ended March 31,	
	2023	2022
	(Dollars in thousands)	
<u>Revenues by segment:</u>		
Real estate brokerage segment	\$ 213,982	\$ 308,900
<u>Operating (loss) income by segment:</u>		
Real estate brokerage segment	\$ (17,343)	\$ 14,541
Corporate and other segment	(6,465)	(6,662)
Total operating (loss) income	\$ (23,808)	\$ 7,879
<u>Real estate brokerage segment</u>		

Operating (loss) income	\$	(17,343)	\$	14,541
Depreciation and amortization		2,039		2,079
Stock-based compensation		1,019		925
Adjusted EBITDA		(13,075)		17,545
Adjusted EBITDA attributed to non-controlling interest		91		117
Adjusted EBITDA attributed to Douglas Elliman	\$	(12,984)	\$	17,662
<u>Corporate and other segment</u>				
Operating loss	\$	(6,465)	\$	(6,662)
Stock-based compensation		1,804		1,727
Adjusted EBITDA attributed to Douglas Elliman	\$	(4,661)	\$	(4,935)

### Three months ended March 31, 2023 Compared to Three months ended March 31, 2022

	Three Months Ended June 30,	
	2023	2022
	(Dollars in thousands)	
<u>Revenues by segment:</u>		
Real estate brokerage segment	\$ 275,912	\$ 364,359
<u>Operating income (loss) by segment:</u>		
Real estate brokerage segment	\$ (1,014)	\$ 21,575
Corporate and other segment	(7,283)	(6,947)
Total operating (loss) income	\$ (8,297)	\$ 14,628
<u>Real estate brokerage segment</u>		
Operating income	\$ (1,014)	\$ 21,575
Depreciation and amortization	1,993	1,986
Restructuring	507	—
Stock-based compensation	1,161	934
Adjusted EBITDA	2,647	24,495
Adjusted EBITDA attributed to non-controlling interest	(166)	(71)
Adjusted EBITDA attributed to Douglas Elliman	\$ 2,481	\$ 24,424
<u>Corporate and other segment</u>		
Operating loss	\$ (7,283)	\$ (6,947)
Stock-based compensation	2,240	1,725
Adjusted EBITDA attributed to Douglas Elliman	\$ (5,043)	\$ (5,222)

Revenues. Our revenues were \$213,982 \$275,912 for the three months ended March 31, 2023 June 30, 2023 compared to \$308,900 \$364,359 for the three months ended March 31, 2022 June 30, 2022. The \$94,918 (30.7%) \$88,447 decline in revenues was primarily due to declines in commission revenues which declined as a \$93,073 decline in the Real Estate Brokerage segment's commissions and other brokerage income because result of lower a reduction of revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

Operating expenses. Our operating expenses were \$237,790 \$284,209 for the three months ended March 31, 2023 June 30, 2023 compared to \$301,021 \$349,731 for the three months ended March 31, 2022 June 30, 2022. The decline of \$63,231 \$65,522 was due primarily to declines in real estate brokerage commissions of \$67,320. This was offset by increases \$62,380 arising primarily from declines in expenses associated with our expansion into new markets commissions and enhancements to our agent-facing technology platform. other brokerage revenue.

Operating (loss) income. Operating loss was \$23,808 \$8,297 for the three months ended March 31, 2023 June 30, 2023 compared to operating income of \$7,879 \$14,628 for the same three months ended March 31, 2022 period in 2022. The \$31,687 \$22,925 decline in operating income was due primarily due to the net impact of declines in commission and other brokerage revenues.

**Other income.** Other income was \$578 \$1,826 for the three months ended March 31, 2023 June 30, 2023 compared to \$1,323 \$1,137 for the three months ended March 31, 2022 June 30, 2022. For the three months ended March 31, 2023 June 30, 2023, other income primarily consisted of interest income net of \$1,105. This was offset by \$1,370 and investment and other loss, income, primarily associated with our PropTech investments of \$454, and \$536, offset by equity losses from equity method investments of \$73. \$80.

**(Loss) income before provision for income taxes.** Loss before income taxes was \$23,230 for the three months ended March 31, 2023 \$6,471 and income before income taxes was \$9,202 \$15,765 for the three months ended March 31, 2022 June 30, 2023 and 2022, respectively.

**Income tax (benefit) expense.** Income tax benefit was \$5,390 \$1,293 and income tax expense was \$5,546 for the three months ended March 31, 2023 June 30, 2023 and income tax expense was \$2,917 for the three months ended March 31, 2022. 2022, respectively.

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

#### Real Estate Brokerage.

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

	Three Months Ended March 31,					Three Months Ended June 30,				
</										

**Revenues.** Our revenues were \$213,982 \$275,912 for the three months ended March 31, 2023 June 30, 2023 compared to \$308,900 \$364,359 for the three months ended March 31, 2022 June 30, 2022. The decline of \$94,918 (30.7%) \$88,447 was primarily related to a decline in our commission and other brokerage income, which declined as a result of \$93,073 a reduction of revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

Our revenues from commission and other brokerage income were \$262,489 for the three months ended June 30, 2023 compared to \$348,831 for the three months ended June 30, 2022, a decline of \$86,342. In the three months ended June 30, 2023, our commission and other brokerage income generated from the sales of existing homes declined by \$25,208 in New York City, \$24,996 in the Florida market, \$13,764 in the Northeast region, which excludes New York City, and by \$12,485 in the West

region, in each case compared to the 2022 period. In addition, our revenues from Development Marketing declined by \$9,889 in the 2023 period compared to the 2022 period.

**Operating Expenses.** Our operating expenses were \$276,926 for the three months ended June 30, 2023 compared to \$342,784 for the three months ended June 30, 2022, a decline of \$65,858, due primarily to declines in real estate brokerage commissions, and reductions in operations and support expenses and general and administrative expenses. The primary components of operating expenses are described below.

**Real Estate Agent Commissions.** As a result of declines in our commissions and other brokerage income, our real estate agent commissions expense was \$204,802 for the three months ended June 30, 2023 compared to \$267,182 for the three months ended June 30, 2022. Real estate agent commissions expense, as a percentage of revenues, increased to 74.2% for the three months ended June 30, 2023 compared to 73.3% for the three months ended June 30, 2022. The increase in real estate agent commissions expense as a percentage of revenue in the 2023 period was primarily driven by a higher percentage of revenues being generated by top-performing agents and agent teams, who generally receive a higher commission percentage because of their higher production. The increase was also attributable to a higher percentage of our revenues being attributable to existing home sales in 2023 because the commission percentage from existing home sales is generally paid at a higher commission percentage than development marketing home sales.

**Sales and Marketing.** Sales and marketing expenses were \$22,161 for the three months ended June 30, 2023 compared to \$22,136 for the three months ended June 30, 2022.

**Operations and support.** Operations and support expenses were \$17,324 for the three months ended June 30, 2023 compared to \$19,563 for the three months ended June 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

**General and administrative.** General and administrative expenses were \$23,976 for the three months ended June 30, 2023 compared to \$25,928 for the three months ended June 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

**Technology.** Technology expenses were \$6,163 for the three months ended June 30, 2023 compared to \$5,989 for the three months ended June 30, 2022. The increase in the 2023 period was primarily related to agent-facing enhancements and improvements. The increase was partially offset by cost savings from compensation expense reductions.

**Operating (loss) income.** Operating loss was \$1,014 for the three months ended June 30, 2023 compared to Operating income of \$21,575 for the three months ended June 30, 2022. The decline in operating income is primarily associated with the net impact of declines in commission and other brokerage revenues.

#### **Corporate and Other.**

**Corporate and Other loss.** The operating loss at the Corporate and Other segment was \$7,283 for the three months ended June 30, 2023 compared to \$6,947 for the three months ended June 30, 2022. The increased loss was primarily attributable to increased non-cash stock compensation expense.

### **Six months ended June 30, 2023 Compared to Six months ended June 30, 2022**

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

	Six Months Ended June 30,	
	2023	2022
	(Dollars in thousands)	
<b>Revenues by segment:</b>		
Real estate brokerage segment	\$ 489,894	\$ 673,259
<b>Operating (loss) income by segment:</b>		
Real estate brokerage segment	\$ (18,357)	\$ 36,116
Corporate and other segment	(13,748)	(13,609)
Total operating (loss) income	\$ (32,105)	\$ 22,507
<b>Real estate brokerage segment</b>		
Operating (loss) income	\$ (18,357)	\$ 36,116
Depreciation and amortization	4,032	4,065
Restructuring	1,717	—
Stock-based compensation	2,180	1,859
Adjusted EBITDA	(10,428)	42,040
Adjusted EBITDA attributed to non-controlling interest	(75)	46
Adjusted EBITDA attributed to Douglas Elliman	\$ (10,503)	\$ 42,086



<b>Corporate and other segment</b>			
Operating loss	\$	(13,748)	\$ (13,609)
Stock-based compensation		4,044	3,452
Adjusted EBITDA attributed to Douglas Elliman	\$	(9,704)	\$ (10,157)

**Revenues.** Our revenues were \$489,894 for the six months ended June 30, 2023 compared to \$673,259 for the six months ended June 30, 2022. The \$183,365 decline in revenues was primarily due to a decline in commissions and other brokerage income because of lower revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

**Operating expenses.** Our operating expenses were \$521,999 for the six months ended June 30, 2023 compared to \$650,752 for the six months ended June 30, 2022. The decline of \$128,753 was due primarily to declines in real estate brokerage commissions of \$129,700. This was offset by increases in non-cash stock compensation expense.

**Operating (loss) income.** Operating loss was \$32,105 for the six months ended June 30, 2023 compared to operating income of \$22,507 for the same six months ended June 30, 2022. The \$54,612 decline in operating income was primarily due to the net impact of declines in commission and other brokerage revenues.

**Other income.** Other income was \$2,404 for the six months ended June 30, 2023 compared to \$2,460 for the six months ended June 30, 2022. For the six months ended June 30, 2023, other income primarily consisted of interest income, net of \$2,475 and investment and other income, primarily associated with our PropTech investments of \$82. This was offset by equity losses from equity method investments of \$153.

**(Loss) income before provision for income taxes.** Loss before income taxes was \$29,701 for the six months ended June 30, 2023 and income before income taxes was \$24,967 for the six months ended June 30, 2022.

**Income tax (benefit) expense.** Income tax benefit was \$6,683 for the six months ended June 30, 2023 and income tax expense was \$8,463 for the six months ended June 30, 2022.

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

#### **Real Estate Brokerage.**

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

	Six Months Ended June 30,				
	2023			2022	
	(Dollars in thousands)				
<u>Revenues:</u>					
Commissions and other brokerage income	\$	464,525	94.8%	\$	643,940 95.6%
Property management		18,152	3.7%		19,245 2.9%
Other ancillary services		7,217	1.5%		10,074 1.5%
Total revenues	\$	489,894	100%	\$	673,259 100%
<u>Operating expenses:</u>					
Real estate agent commissions	\$	360,904	73.7%	\$	490,604 72.9%
Sales and marketing		43,400	8.9%		41,442 6.2%
Operations and support		36,217	7.4%		37,654 5.6%
General and administrative		49,806	10.2%		52,096 7.7%
Technology		12,175	2.5%		11,282 1.7%
Depreciation and amortization		4,032	0.8%		4,065 0.6%
Restructuring		1,717	0.4%		— —%
Operating (loss) income	\$	(18,357)	(3.7)%	\$	36,116 5.4%

**Revenues.** Our revenues were \$489,894 for the six months ended June 30, 2023 compared to \$673,259 for the six months ended June 30, 2022. The decline of \$183,365 was primarily related to a decline in our commission and other brokerage income because of lower revenues from existing home sales caused, in part, by lower listing inventory and the volatility in the financial markets as well as increases in mortgage rates.

Our revenues from commission and other brokerage income were \$202,036 \$464,525 for the three six months ended March 31, 2023 June 30, 2023 compared to \$295,109 \$643,940 for the three six months ended March 31, 2022 June 30, 2022, a decline of \$93,073 \$179,415. In 2023, our commission and other brokerage income generated from the sales of existing homes declined by \$34,590 \$59,798 in New York City, \$26,370 \$51,366 in our Florida market, and \$16,974 \$30,738 in the Northeast region, which excludes New York City, and \$13,985 \$26,470 in the West region. In addition, our revenues from Development Marketing declined by \$1,154 \$11,043 in the 2023 period compared to 2022, the 2022 period.

**Operating Expenses.** Our operating expenses were \$231,325 \$508,251 for the three six months ended March 31, 2023 June 30, 2023 compared to \$294,359 \$637,143 for the three six months ended March 31, 2022 June 30, 2022, a decline of \$63,034 \$128,892, due primarily to declines in real estate brokerage commissions. This was offset by increases in sales and marketing, general and administrative and technology expenses. The primary components of operating expenses are described below.

**Real Estate Agent Commissions.** As a result of declines in commissions and other brokerage income, our real estate agent commissions expense was \$156,102 \$360,904 for the three six months ended March 31, 2023 June 30, 2023 compared to \$223,422 \$490,604 for the three six months ended March 31, 2022 June 30, 2022, a decline of \$67,320 (30.1%). \$129,700. Real estate agent commissions expense, as a percentage of revenues, increased to 73.0% 73.7% for the three six months ended March 31, 2023 June 30, 2023 compared to 72.3% 72.9% for the three six months ended March 31, 2022 June 30, 2022. The increase in real estate agent commissions expense as a percentage of revenue in the 2023 period was primarily driven by a higher percentage of revenues being generated by top-performing agents and agent teams, who generally receive a higher commission percentage as a result of their higher production.

**Sales and Marketing.** Sales and marketing expenses were \$21,239 \$43,400 for the three six months ended March 31, 2023 June 30, 2023 compared to \$19,306 \$41,442 for the three six months ended March 31, 2022 June 30, 2022. The increase was June 30, 2022 due primarily due to additional promotional sponsorships and events in the 2023 period, first quarter of 2023.

**Operations and support.** Operations and support expenses were \$18,893 \$36,217 for the three six months ended March 31, 2023 June 30, 2023 compared to \$18,091 \$37,654 for the three six months ended March 31, 2022 June 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense in the 2023 period.

**General and administrative.** General and administrative expenses were \$25,830 \$49,806 for the three six months ended March 31, 2023 June 30, 2023 compared to \$26,168 \$52,096 for the three six months ended March 31, 2022 June 30, 2022. The decline is primarily related to reductions in personnel as well as lower incentive compensation expense.

**Technology.** Technology expenses were \$6,012 \$12,175 for the three six months ended March 31, 2023 June 30, 2023 compared to \$5,293 \$11,282 for the three six months ended March 31, 2022 June 30, 2022. The increase in the 2023 period was primarily related to agent-facing technology enhancements incremental refinements and various implementations of cloud-based applications in brokerage and property management improvements.

**Operating (loss) income.** Operating loss was \$17,343 \$18,357 for the three six months ended March 31, 2023 June 30, 2023 compared to operating income of \$14,541 \$36,116 for the three six months ended March 31, 2022 June 30, 2022. The decline in operating income is primarily associated with the decline in revenues, expenses associated with non-cash stock compensation business expansion, agent support, and expansion into new markets and technology markets.

#### **Corporate and Other.**

**Corporate and Other loss.** The operating loss at the Corporate and Other segment was \$6,465 \$13,748 for the three six months ended March 31, 2023 June 30, 2023 compared to \$6,662 \$13,609 for the three six months ended March 31, 2022 June 30, 2022.

### **Summary of PropTech Investments**

As of March 31, 2023 June 30, 2023, New Valley Ventures had investments (at a carrying value) of approximately \$14,705 \$13,909 in PropTech companies. This amounts to approximately 3% of the value of Douglas Elliman's total assets, which totaled approximately \$517 million \$518 million, as of March 31, 2023 June 30, 2023. During the three six months ended March 31, 2023 June 30, 2023 we made a new PropTech investment, which was a non-controlling interest investment, in Infinite Creator, a video production application that allows users to capture professional-quality videos from a smartphone in minutes.

### **Liquidity and Capital Resources**

Cash, and cash equivalents and restricted cash declined by \$39,778 and \$15,429 \$32,084 to \$139,298, which included \$8,880 of restricted cash, during the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. Restricted cash, which is included in cash and cash equivalents, was \$7,942, and \$9,768 as of March 31, 2023 and 2022, respectively. \$17,815 to \$211,051 during the six months ended June 30, 2022.

Cash used in operations was \$31,575 \$23,140 and \$6,780 \$2,837 for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. The decline in the 2023 period was related to lower operating income, as a which was primarily the result of the decline in revenues and increased expenses in our brokerage segment, along with changes in revenues. This amount was offset by lower uses of working capital in the six months ended June 30, 2023, due to lower accruals of incentive compensation for the timing of payments. In addition, cash was negatively impacted in each of the three six months ended March 31, 2023 and 2022 due to the payment June 30, 2023 as well as higher payments of year-end incentive compensation which during the six months ended June 30, 2022. We accrue incentive compensation during the year it is incurred and then pay the previously accrued in the previous year and paid amounts in the first quarter of the succeeding year.

Cash used in investing activities was \$3,982 \$4,711 and \$1,815 \$6,543 for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. For the three six months ended March 31, 2023 June 30, 2023, cash used in investing activities was comprised of capital expenditures of \$3,627 \$4,614 and the purchase of investments of \$355 \$505 in our PropTech business. This was offset by \$408 of distributions from our investments in equity securities. For the three six months ended

March 31, 2022 June 30, 2022, cash used in investing activities was comprised of the capital expenditures of \$4,367, purchase of investments of \$926 \$2,151 in the Company's our PropTech business, capital expenditures of \$849 and investments of \$100 in equity-method investments. This was offset by \$60 \$75 of distributions from equity-method investments in the 2022 period. investments.

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

Cash used in financing activities was \$4,221 \$4,233 and \$6,834 \$14,109 for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. For the three six months ended March 31, 2023 June 30, 2023, cash used in financing activities was comprised of dividends and distributions on common stock of \$4,221, \$4,222 and \$11 for payroll tax liabilities associated with restricted stock withheld upon the vesting of restricted stock. For the three six months ended March 31, 2022 June 30, 2022, cash used in financing activities was comprised of dividends and distributions on common stock of \$4,062, \$8,120, repayment of debt of \$3,129 \$6,264 and \$18 earn-out payments, associated with acquisitions, of earn-out payments, \$100. These amounts were partially offset by contributions from a non-controlling interest associated with Douglas Elliman Texas of \$375.

We paid a quarterly cash dividend of \$0.05 per share from March 2022 to March 2023. On June 12, 2023, we announced that our Board had suspended the quarterly cash dividend, effective immediately. On June 12, 2023, our Board also declared an annual stock dividend on our common stock of 5%, which was paid on June 30, 2023 to stockholders of record as of the close of business on June 22, 2023. As part of the evaluation of our dividend policy, our Board determined that instating an annual stock dividend and suspending the quarterly cash dividend was in the best interest of us and our stockholders. We expect the updated dividend policy to strengthen our balance sheet and position us to deliver long-term stockholder returns. The amount and payment of an annual stock dividend and any quarterly cash dividend are subject to the Board's regular evaluation of our dividend policy and capital allocation strategy.

We had cash and cash equivalents of approximately \$123,662 \$130,418 as of March 31, 2023 June 30, 2023 and, in addition to any cash provided from operations, such cash is available to be used to fund such liquidity requirements as well as other anticipated liquidity needs in the normal course of business. Management currently anticipates that these amounts, as well as expected cash flows from our operations and proceeds from any financings to the extent available, should be sufficient to meet our liquidity needs over the next twelve months. We may acquire or seek to acquire additional operating businesses through a merger, purchase of assets, stock acquisition or other means, or to make or seek to make other investments, which may limit our liquidity otherwise available.

## Off-Balance Sheet Arrangements

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

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

As a service to its customers, Portfolio Escrow Inc., a subsidiary of the Company, administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250. The escrow funds on deposit at the subsidiary were \$27,505 \$37,104 and \$33,533 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, and corresponding escrow funds in holding of the same amount. While these deposits are not assets of the Company (and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets) condensed consolidated balance sheets), the subsidiary of the Company remains contingently liable for the disposition of these deposits.

## Market Risk

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

## New Accounting Pronouncements

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

## Legislation and Regulation

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

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- general economic and market conditions and any changes therein, including due to macroeconomic conditions, interest rate fluctuations, inflation, acts of war and terrorism or otherwise,
- governmental regulations and policies, including with respect to regulation of the real estate market or monetary and fiscal policy and its effect on overall economic activity, in particular, mortgage interest rates,
- the impacts of banks not honoring the escrow and trust deposits held by our subsidiaries,
- litigation risks,
- adverse changes in global, national, regional and local economic and market conditions, including those related to pandemics and health crises (and responses to them),
- the impacts of the Inflation Reduction Act of 2022 and the Tax Cuts and Jobs Act of 2017, including the continued impact on the markets of our business,
- effects of industry competition,
- severe weather events or natural or man-made disasters, including the increasing severity or frequency of such events due to climate change or otherwise, or other catastrophic events that may disrupt our business and have an unfavorable impact on home sale activity,
- the level of our expenses, including our corporate expenses as a standalone public company,
- the tax-free treatment of the Distribution,
- our lack of operating history as a public company and costs associated with being a standalone public company,
- the failure of Vector Group to satisfy its respective obligations under the Transition Services Agreement or other agreements entered into in connection with the Distribution, and
- the additional factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission as updated in this report.

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

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

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

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

#### Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the first quarter of 2023 quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

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

#### Item 1A. Risk Factors

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

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

We have a substantial amount of goodwill and other intangible assets on our balance sheet. As of December 31, 2022, we had approximately \$32.2 million of goodwill and \$73.7 million of trademarks and other intangible assets related to Douglas Elliman. Goodwill, trademarks and other identifiable intangible assets must be tested for impairment at least annually, or more frequently if indicators of potential impairment exist. The fair value of the goodwill assigned to a reporting unit could decline if projected revenues or cash flows were to be lower in the future due to the effects of the global economy or other causes. If the carrying value of intangible assets or of goodwill were to exceed its fair value, the asset would be written down to its fair value, with the impairment loss recognized as a non-cash charge in our consolidated statement of operations. Changes in our future outlook of the Douglas Elliman Realty, LLC reporting unit could result in an impairment loss.

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

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

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

No equity securities of ours which were not registered under the Securities Act have been issued or sold by us during the three months ended March 31, 2023, June 30, 2023, except for 4,220,604 shares of common stock issued as a stock dividend on June 30, 2023.

##### **No equity securities**

##### **Issuer Purchases of ours which were registered pursuant to Section 12(b) Equity Securities**

Our purchases of the Securities Exchange Act of 1934 were purchased by us our common stock during the three months ended March 31, 2023, June 30, 2023 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2023	—	\$ —	—	—
May 1 to May 31, 2023	—	—	—	—
June 1 to June 30, 2023	3,935	2.89 <sup>(1)</sup>	—	—
Total	3,935	\$ 2.89	—	—

<sup>(1)</sup> Represents withholdings of shares as payment of payroll tax liabilities incident to the vesting of an employee's shares of restricted stock. The shares purchased were immediately canceled.

#### Item 5. Other Information

##### **Securities Trading Plans of Directors and Executive Officers**

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

Item 6. Exhibits:

*10.1	Letter Agreement, dated February 28, 2023, between Douglas Elliman Inc. and J. David Ballard (incorporated by reference to Exhibit 10.1 in the Company's Form 10-K/A for the year ended December 31, 2022).
31.1	Certification of Chief Executive Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer, Pursuant to 18 U.S.C. Section

	1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
	Cover Page Interactive Data File (the cover page tabs are embedded within the Inline XBRL document).
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\* Incorporated by reference

## SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

**DOUGLAS ELLIMAN INC.**  
**(Registrant)**

By: /s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and  
Chief Financial Officer

Date: May 15, August 9, 2023

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EXHIBIT 31.1

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

I, Howard M. Lorber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Douglas Elliman Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [omitted]
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 15, 2023 August 9, 2023



/s/ Howard M. Lorber

Howard M. Lorber

President and Chief Executive Officer

EXHIBIT 31.2

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

I, J. Bryant Kirkland III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Douglas Elliman Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [omitted]
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 15, 2023 August 9, 2023

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

**SECTION 1350 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**May 15, August 9, 2023**

/s/ Howard M. Lorber  
 Howard M. Lorber  
 President and Chief Executive Officer

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**May 15, August 9, 2023**

/s/ J. Bryant Kirkland III  
 J. Bryant Kirkland III  
 Senior Vice President, Treasurer and Chief Financial Officer

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