

Marcus & Millichap



Fourth Quarter 2015 Earnings Conference Call

March 10, 2016

Forward-Looking Statements

Certain statements in this presentation are “forward-looking statements” within the meaning of the federal securities laws, including our business outlook for 2016. Statements about our beliefs and expectations and statements containing the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend,” “well-positioned” and similar expressions constitute forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results and performance in future periods to be materially different from any future results or performance suggested in forward-looking statements in this earnings press release. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements speak only as of the date of this earnings press release and, except to the extent required by applicable securities laws, the Company expressly disclaims any obligation to update or revise any of them to reflect actual results, any changes in expectations or any change in events. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. Factors that could cause results to differ materially include, but are not limited to: (1) general economic conditions and commercial real estate market conditions, including the conditions in the global markets and, in particular, the U.S. debt markets; (2) the Company’s ability to attract and retain transaction professionals; (3) the Company’s ability to retain its business philosophy and partnership culture; (4) competitive pressures; (5) the Company’s ability to integrate new agents and sustain its growth; and (6) other factors discussed in the Company’s public filings, including the risk factors included in the Company’s Annual Report on Form 10-K to be filed with the Securities and Exchange Commission on or about March 15, 2016.

Conference Call Participants



John Kerin

*President & Chief
Executive Officer*



Marty Louie

Chief Financial Officer



Hessam Nadji

*Senior Executive Vice
President*

MMI Financial Highlights

2015 Fourth Quarter Highlights

Financial Highlights

		<u>YOY</u>
Revenue	\$186.2 million	↑ 18.8%
Net Income	\$19.9 million	↑ 21.4%
Adjusted EBITDA	\$35.3 million	↑ 18.8%

Operational Highlights

		<u>YOY</u>
Sales Volume	\$11.0 billion	↑ 11.0%
Transaction Closings	2,460	↑ 14.7%
Investment Sales & Financing Professionals as of December 31, 2015	1,607	↑ 7.6%

Full Year 2015 Highlights

Financial Highlights

		<u>YOY</u>
Revenue	\$689.1 million	↑ 20.4%
Net Income	\$66.4 million	↑ 34.0%
Adjusted EBITDA	\$124.1 million	↑ 33.7%

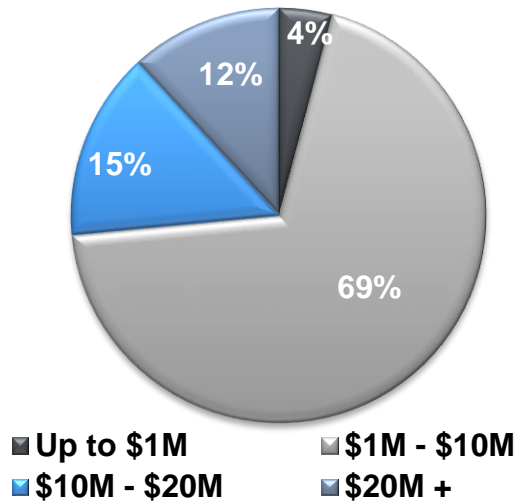
Operational Highlights

		<u>YOY</u>
Sales Volume	\$37.8 billion	↑ 14.2%
Transaction Closings	8,715	↑ 13.7%
Investment Sales & Financing Professionals as of December 31, 2015	1,607	↑ 7.6%

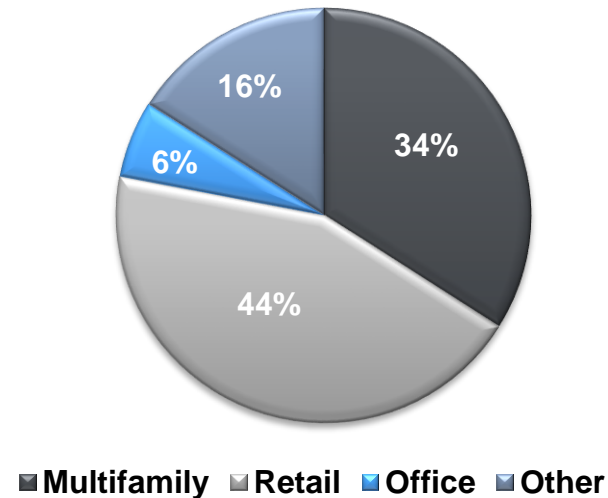
2015 Fourth Quarter Brokerage Highlights

Sales Volume	\$8.6 billion	↑	<u>YOY</u> 15.5%
Transaction Closings	1,810	↑	15.2%
Investment Sales Professionals as of December 31, 2015	1,509	↑	6.9%
Revenue	\$186.2 million	↑	18.8%
Revenue from Private Client Market Segment (\$1 - \$10 million)	\$129.3 million	↑	29.3%

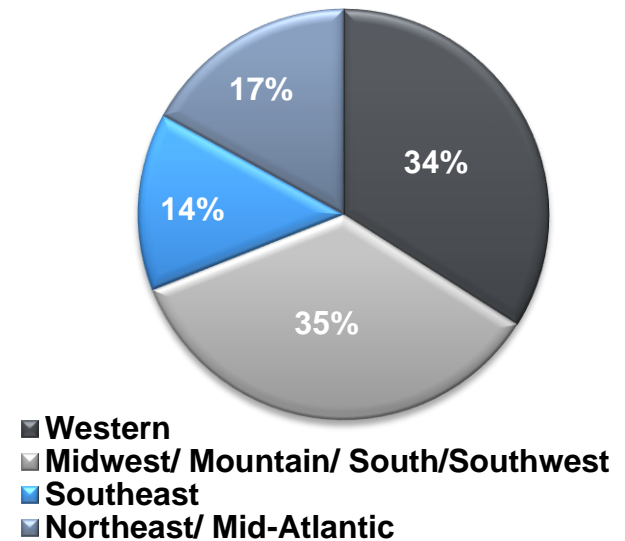
Revenue by Transaction Size



Transactions by Property Type



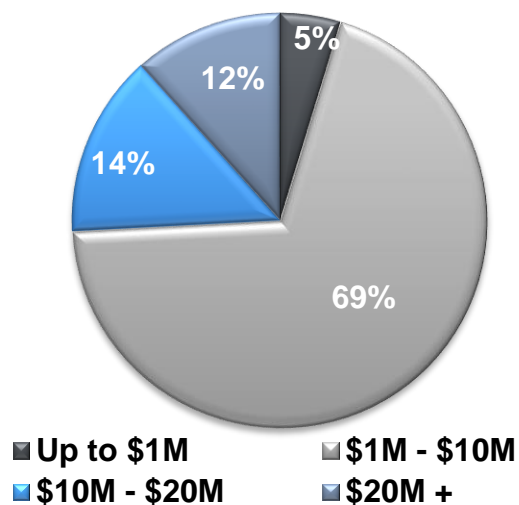
Transactions by Region



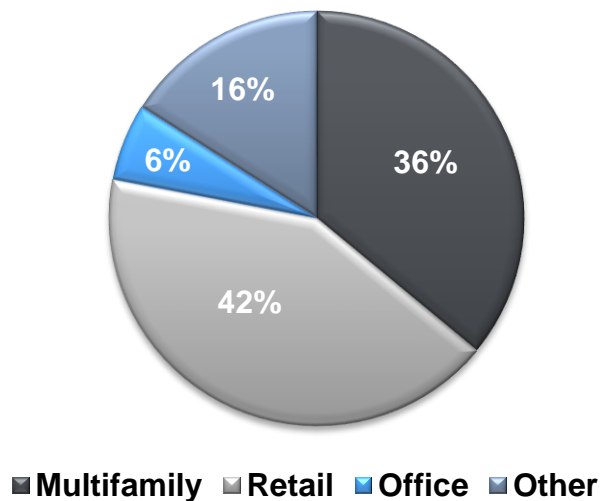
Full Year 2015 Brokerage Highlights

Sales Volume	\$28.4 billion	↑ ^{YOY} 12.2%
Transaction Closings	6,332	↑ 13.3%
Investment Sales Professionals as of December 31, 2015	1,509	↑ 6.9%
Revenue	\$632.6 million	↑ 20.5%
Revenue from Private Client Market Segment (\$1 - \$10 million)	\$439.2 million	↑ 25.1%

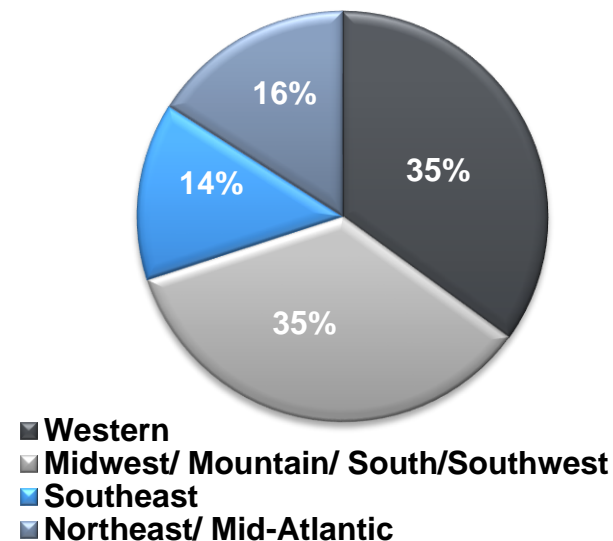
Revenue by Transaction Size



Transactions by Property Type



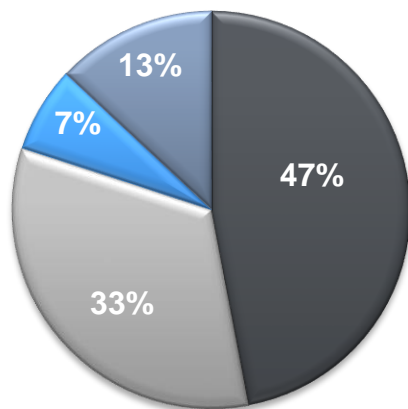
Transactions by Region



2015 Fourth Quarter Financing Highlights

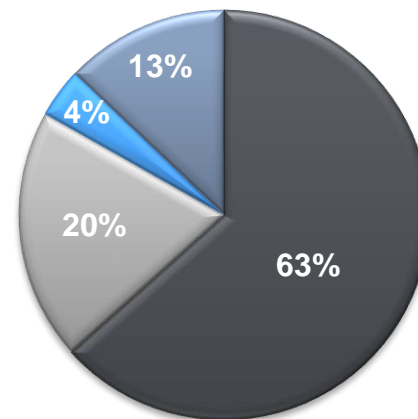
Sales Volume	\$1.5 billion	<u>YOY</u> ↑ 17.0%
Transaction Closings	466	↑ 25.9%
Financing Professionals as of December 31, 2015	98	↑ 19.5%
Revenue	\$12.5 million	↑ 8.5%

Transactions by Property Type



■ Multi-Family ■ Retail ■ Office ■ Other

Transactions by Region

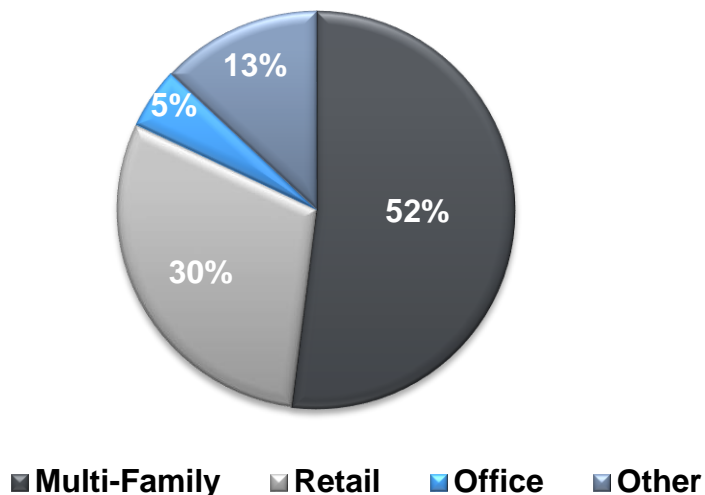


■ Western
■ Midwest/ Mountain/ South/ Southwest
■ Southeast
■ Northeast/ Mid-Atlantic

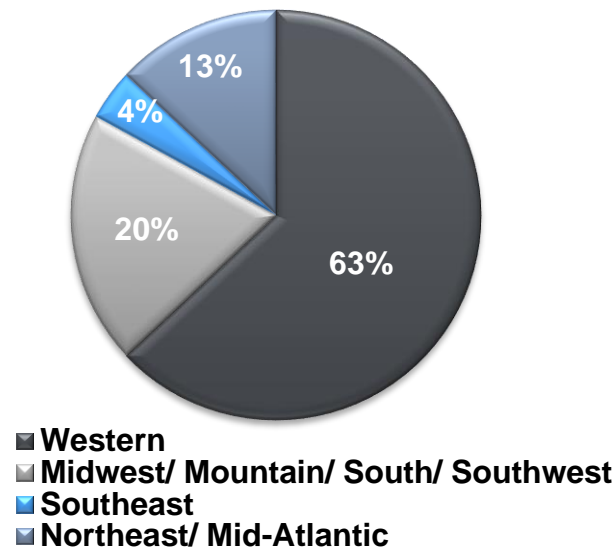
Full Year 2015 Financing Highlights

Sales Volume	\$4.9 billion	<u>YOY</u> ↑ 29.4%
Transaction Closings	1,601	↑ 20.2%
Financing Professionals as of December 31, 2015	98	↑ 19.5%
Revenue	\$42.6 million	↑ 25.6%

Transactions by Property Type



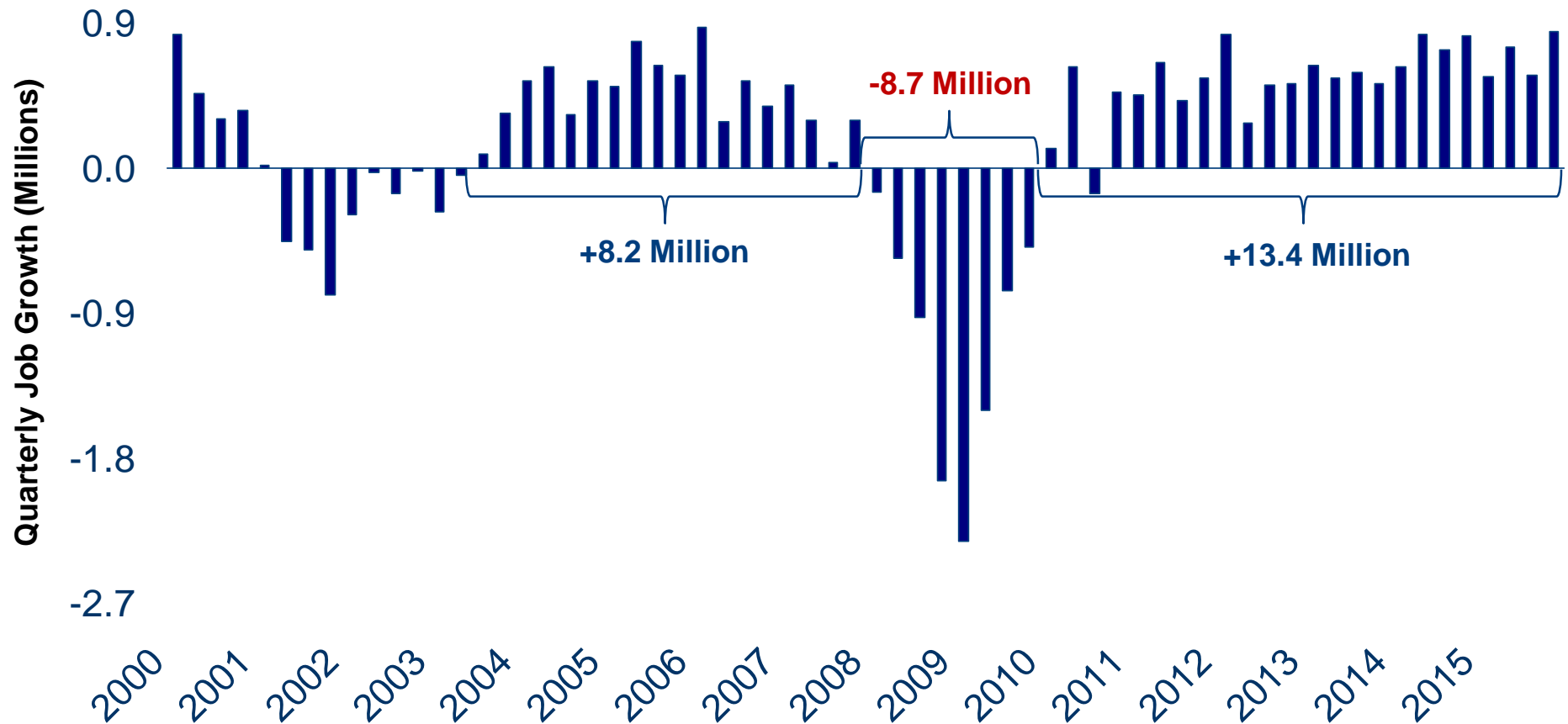
Transactions by Region



Market Highlights

U.S. Employment Gains Driving Real Estate Demand

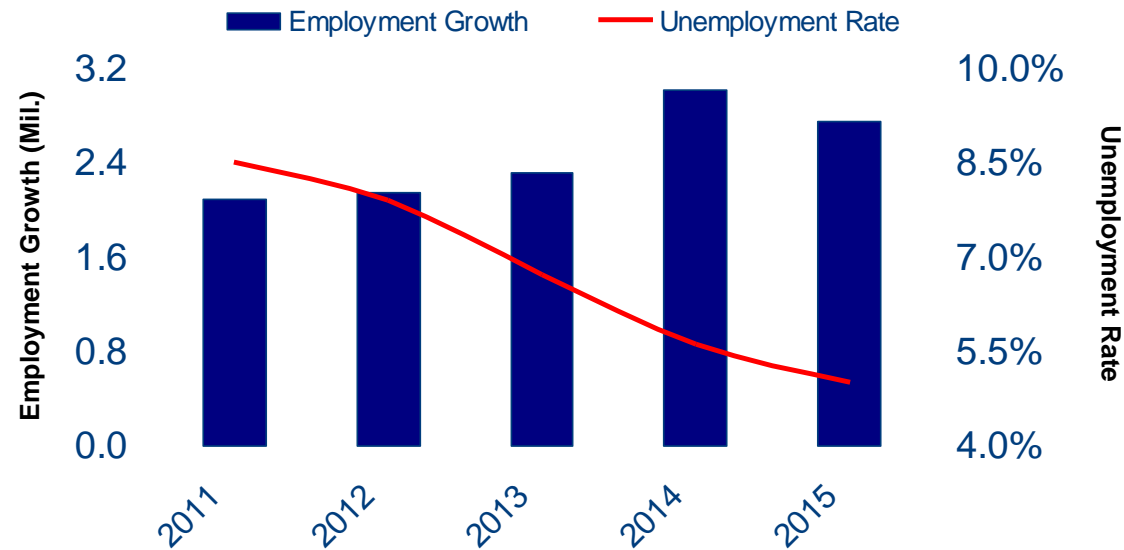
- U.S. employment has expanded well above prior peak
- 2016 forecast to add 2.5 million jobs*



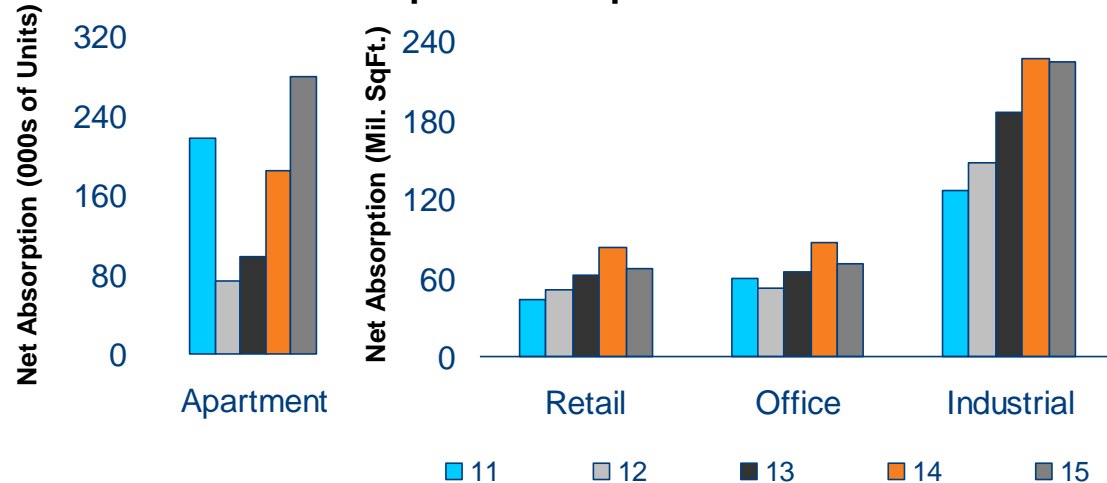
Employment and Occupancy Trends Strong

- Employment growth totaled more than 2.7 million jobs in 2015
- Total employment stands 4.7 million above the pre-recession peak
- Unemployment rate is down 350 basis points since 2011
- Space absorption remains robust in all property types

Employment Growth vs. Unemployment Rate



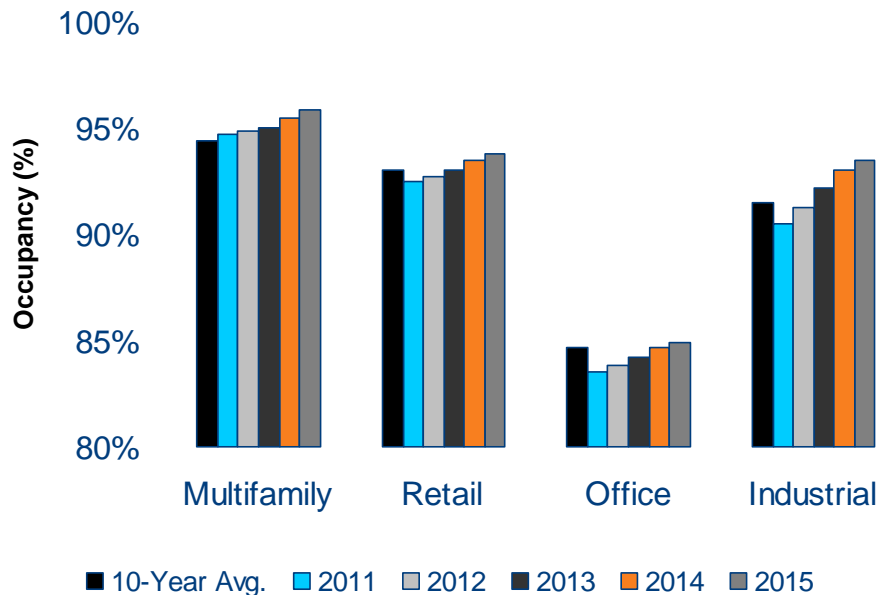
Space Absorption Trends



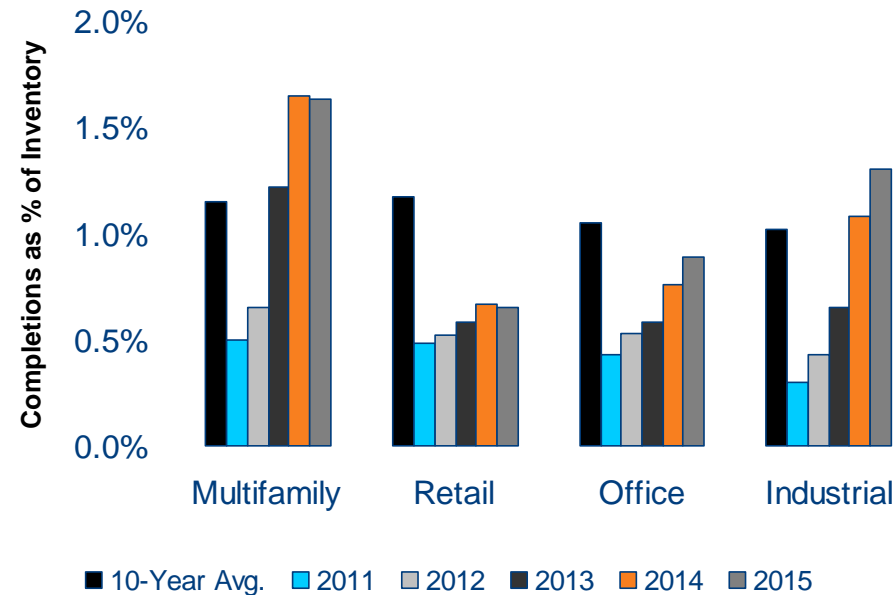
Fundamentals Remain Healthy Despite New Supply

- Property fundamentals showing steady improvement across all property types
- Multifamily properties led the recovery; increased construction currently balanced with strong demand
- New supply rising, but still below long-term trends for retail and office sectors

Occupancies Rising



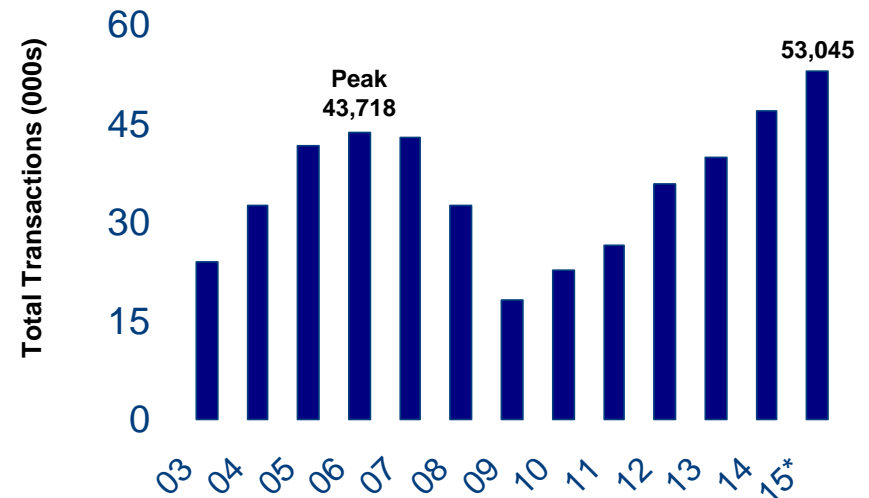
Construction Trends Favorable



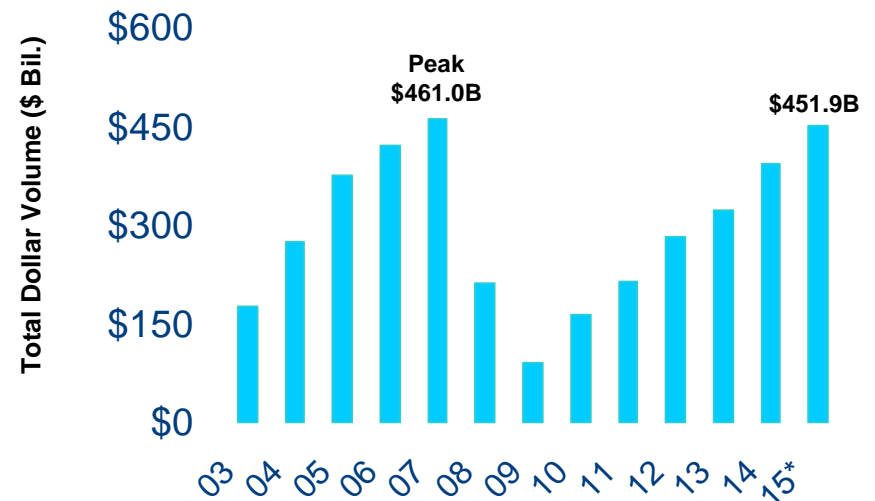
Attractive Investment Market Backdrop

- Preliminary estimates for 2015 sales show a gain of 12.5% in transactions and 15% in sales volume over 2014
- Low interest rates, attractive comparative yields and improving property fundamentals are supporting the rise in sales activity

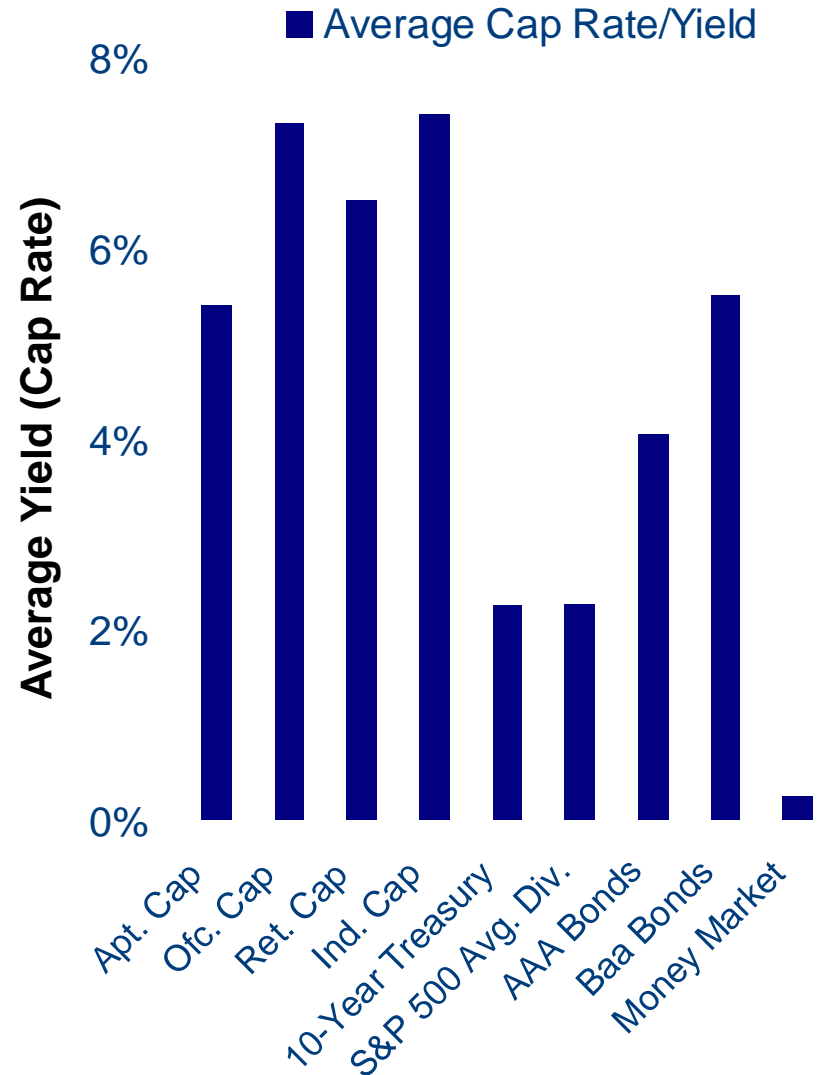
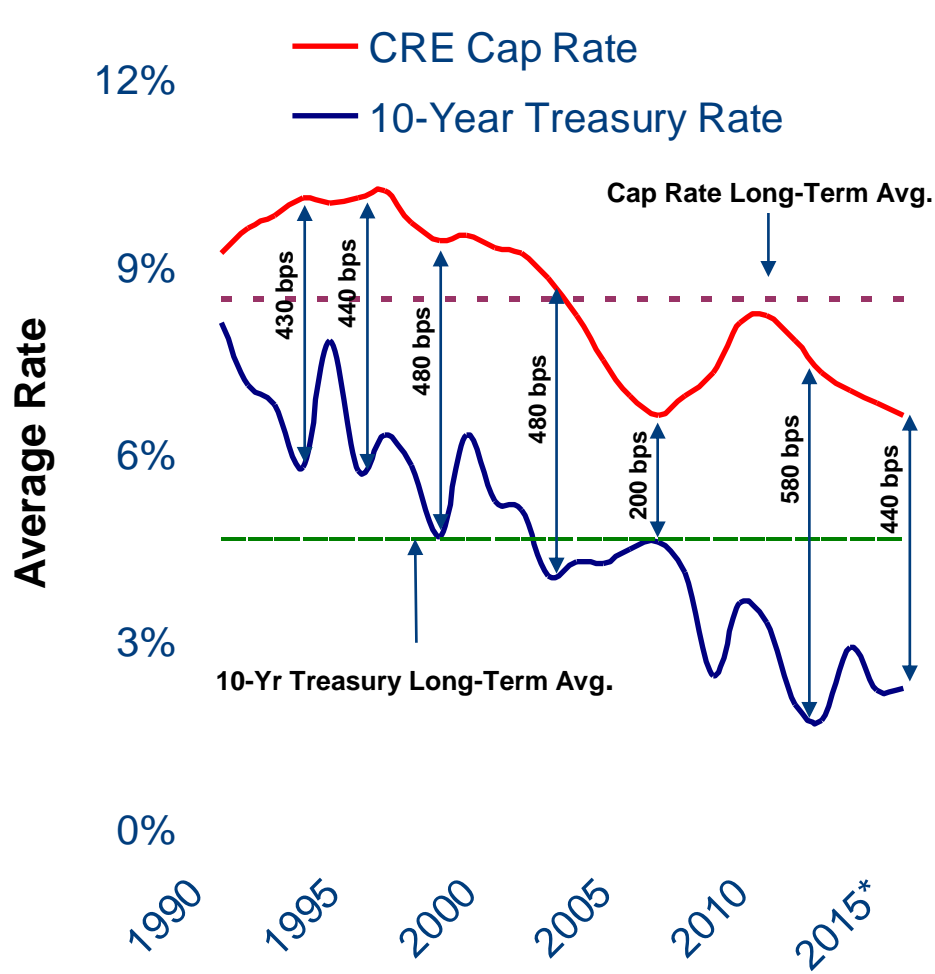
U.S. Commercial Real Estate - Total Transactions ⁽¹⁾



U.S. Commercial Real Estate - Total Dollar Volume ⁽¹⁾

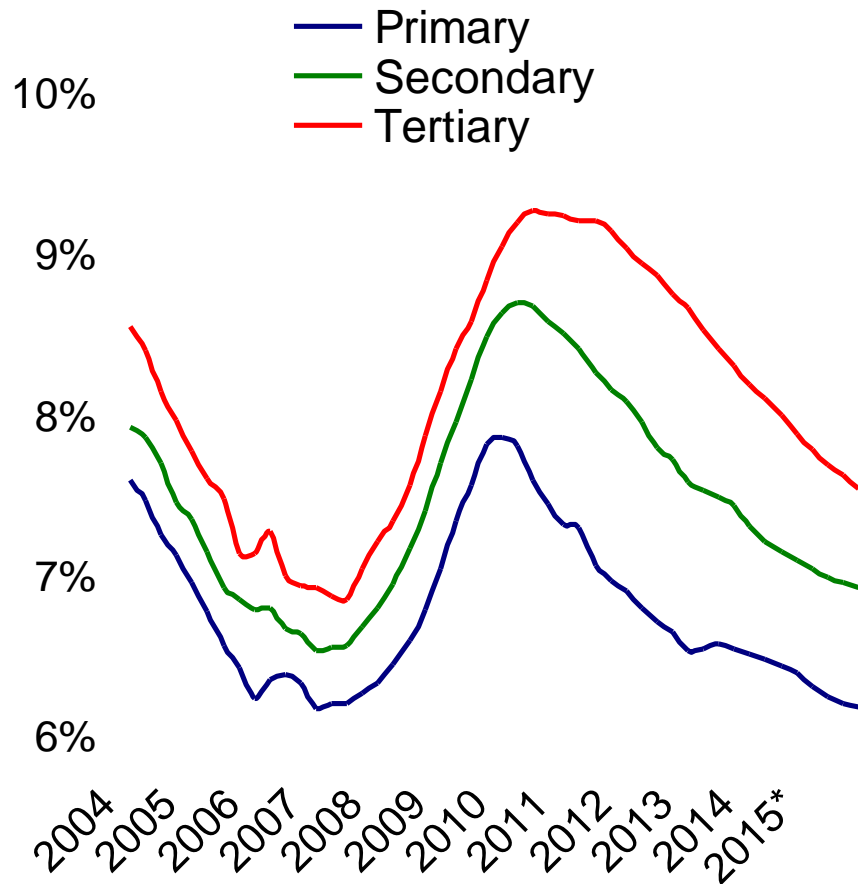


Commercial Real Estate Yields Compelling

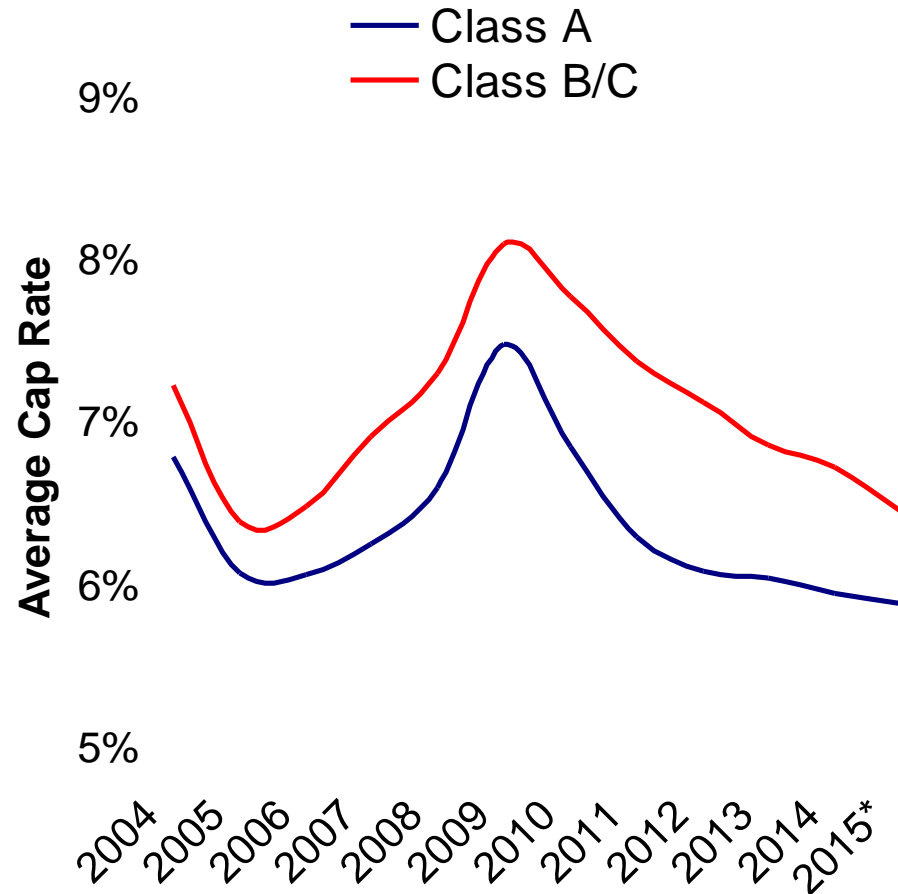


Commercial Real Estate Cap Rate Trends

Cap Rates by Market Type ⁽¹⁾



Cap Rates by Class ⁽²⁾



Sources: CoStar Group, Inc., Real Capital Analytics

* Preliminary estimate

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater

(2) Includes apartment and office sales \$1 million and greater

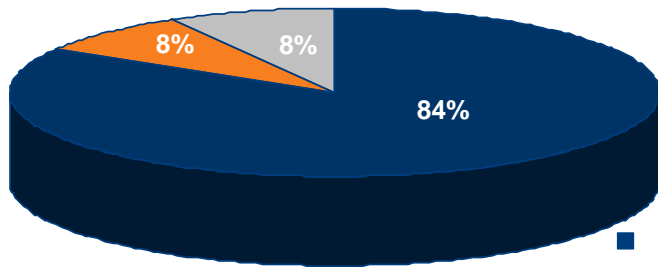
MMI Market Position

Private Client Market Segment – Largest Sales and Commission Pool Opportunity

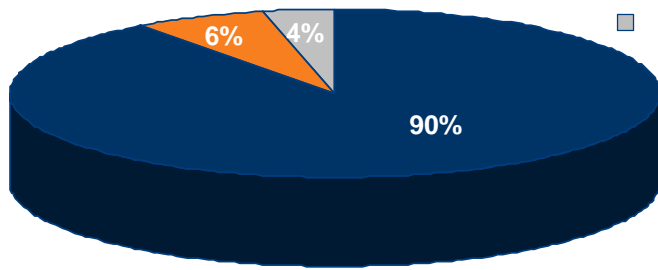
- Segment consists of sales \$1 million - \$10 million; is the largest and most active, accounting for 80%+ of transactions
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers
- Most active market segment due to personal drivers that result in buying/selling/refinancing properties
- Segment features the highest commission rates

Transactions by Investor Segment ⁽¹⁾

Commercial Real Estate Market

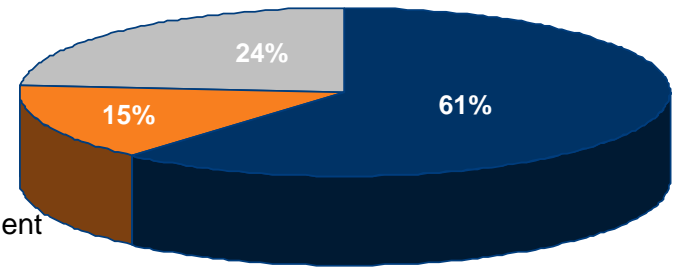


Marcus & Millichap

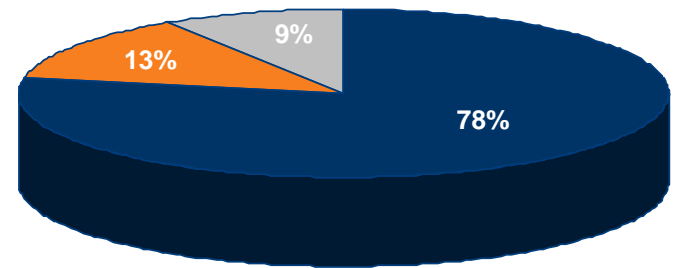


Commission Pool by Investor Segment ^{(1) (2)}

Commercial Real Estate Market



Marcus & Millichap



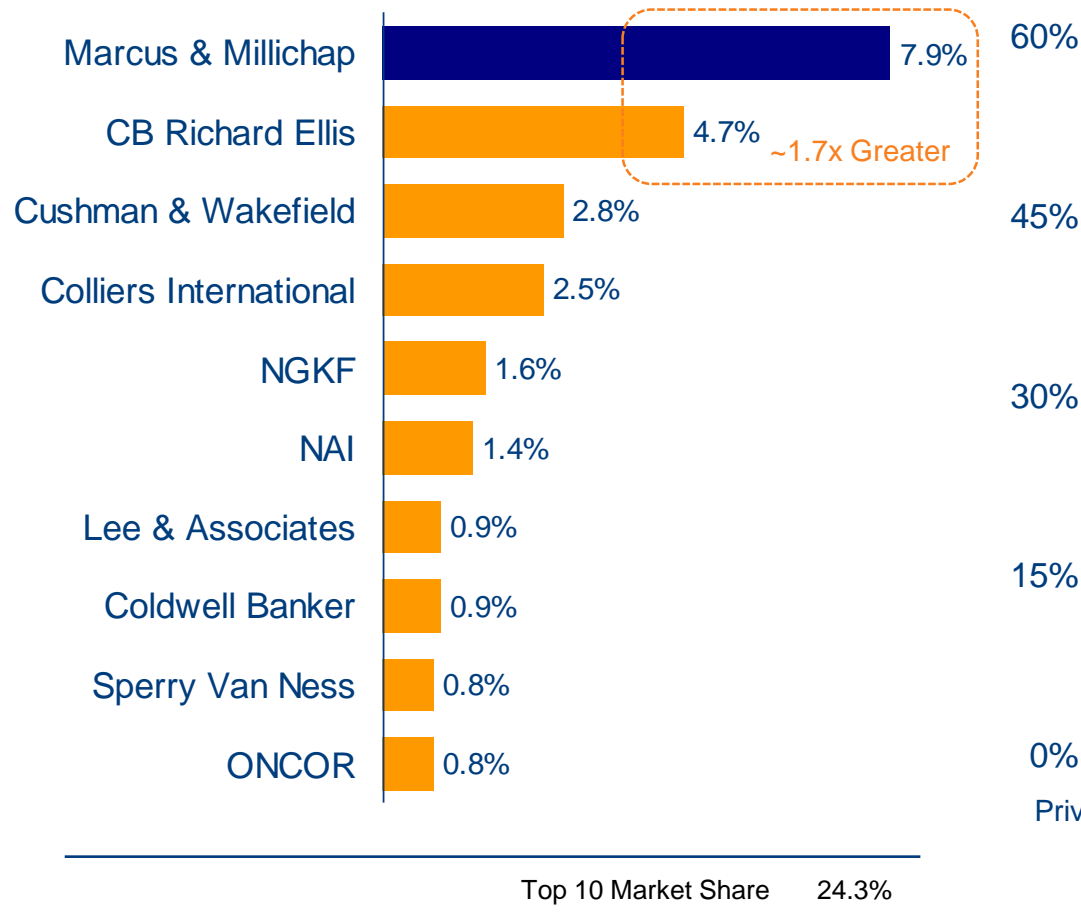
Sources: CoStar Group, Inc., Real Capital Analytics

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater for 2015; 4Q preliminary estimate for market total. Commercial Real Estate market totaled an estimated 53,045 transactions, with \$8.4 billion in total commission pool.

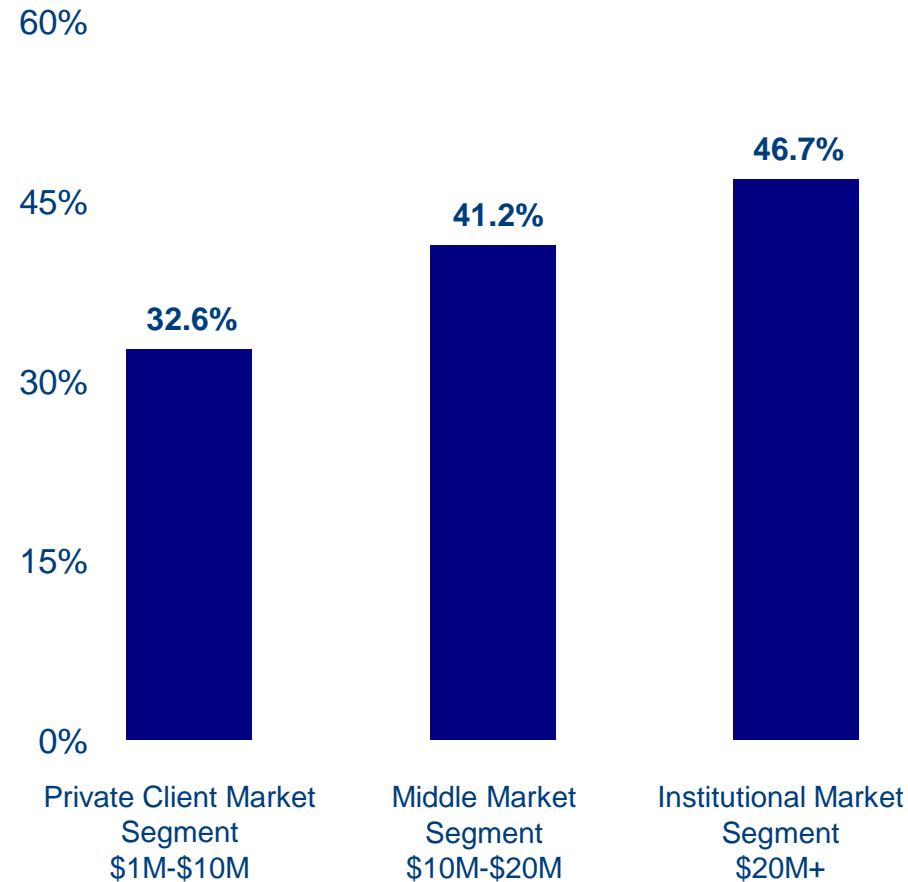
(2) Estimate based on industry averages: 3.7% commission rate for private client market segment, 2.0% rate for middle market segment (previously referred to as the hybrid segment) and 0.8% for institutional market segment.

MMI – Private Client Market Leader with Growth Opportunity

**Top 10 U.S. Brokerage Firms by Market Share
(Private Client Market Segment \$1M - \$10M)⁽¹⁾**



**Variance From Long-Term Average Sales*
CRE Sales by Price Tranche 2000-2015**



Sources: CoStar Group, Inc., Real Capital Analytics

* Long-term average: 2000-2015; 4Q 2015 preliminary estimate; includes multifamily, retail, office, and industrial sales \$1 million and greater
Variance from long-term average measures the average quarterly percent variance in sales transactions from the 2000-2015 average number of sales
Market share includes recent company mergers and acquisitions

(1) Includes multifamily, retail, office and industrial sales from \$1 million to \$10 million during the trailing 12-months through 3Q 2015 in which the brokerage firms represented the seller.

Market Share Growth Opportunity by Property Type

MMI 2015 Transactions by Property Type ⁽¹⁾

Property Type	Transactions	Volume (\$Billion)
Multifamily	3,382	\$17.9
Retail	3,351	\$10.8
Office	567	\$2.4
Hospitality	225	\$1.6
Industrial	253	\$1.0
Self-Storage	201	\$0.9
Seniors Housing	83	\$0.9
Land	266	\$0.6
Manufactured Housing	101	\$0.4
Mixed-Use/Other	286	\$1.3
Total	8,715	\$37.8

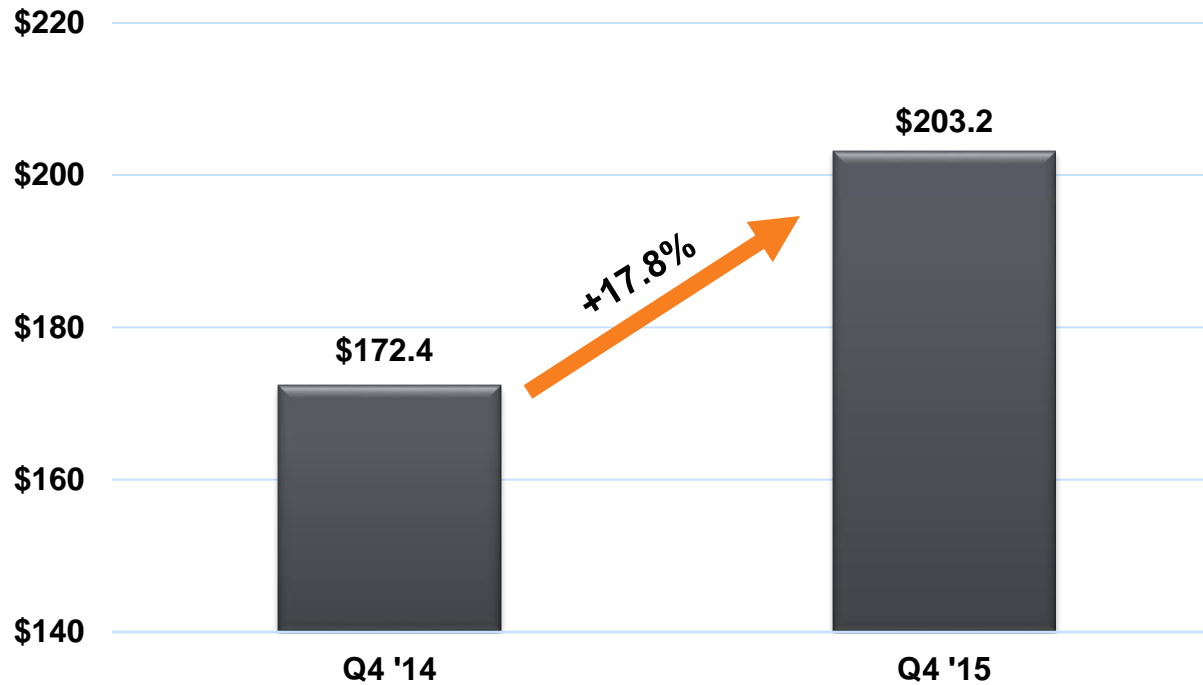
- **Leverage platform, relationships, brand to grow in various sectors**
- **Growth opportunity remains in leading sectors (multifamily and retail)**
- **Expanding multi-tenant office, industrial presence**
- **Expanding presence in specialty property types and larger transactions**
 - **National specialty divisions led by tenured executives**

MMI Financial Detail

Q4 2015 Revenue Increases By 17.8% From Prior Year

Revenue

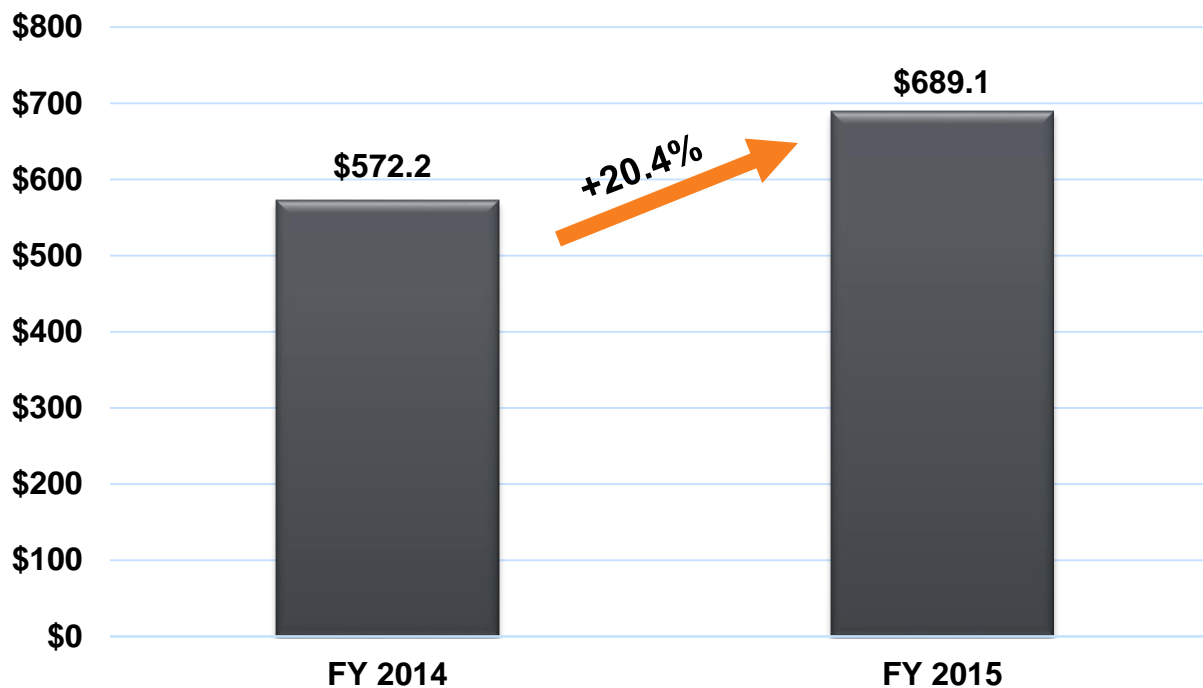
(\$ in millions)



Full Year 2015 Revenue Increases By 20.4% From Prior Year

Revenue

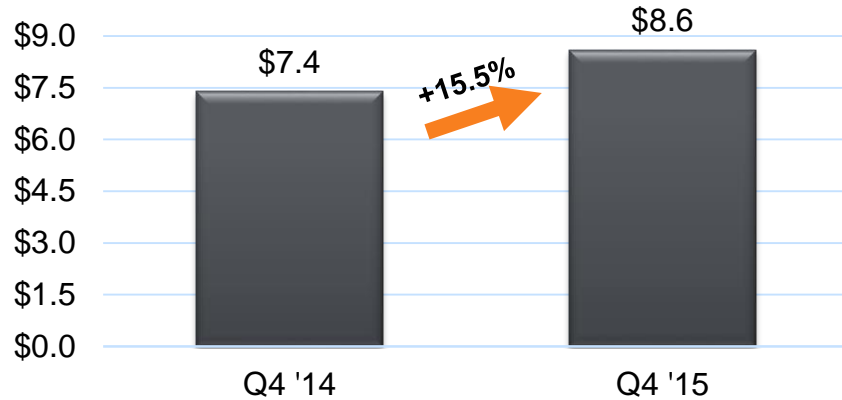
(\$ in millions)



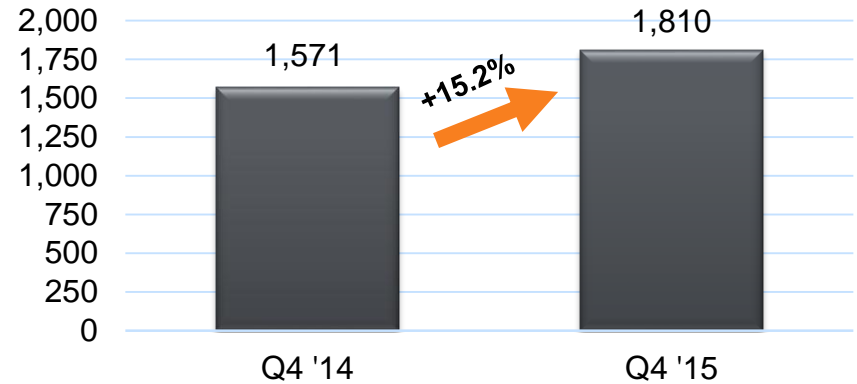
Q4 2015 Brokerage Operating Metrics

Total Sales Volume

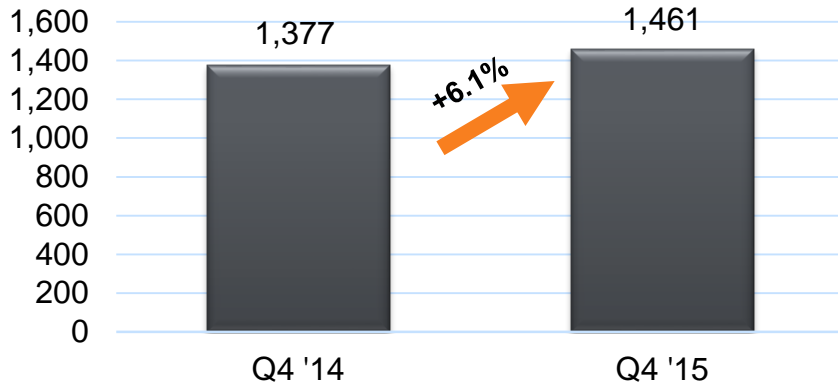
(\$ in billions)



Total Number Of Sales Transactions

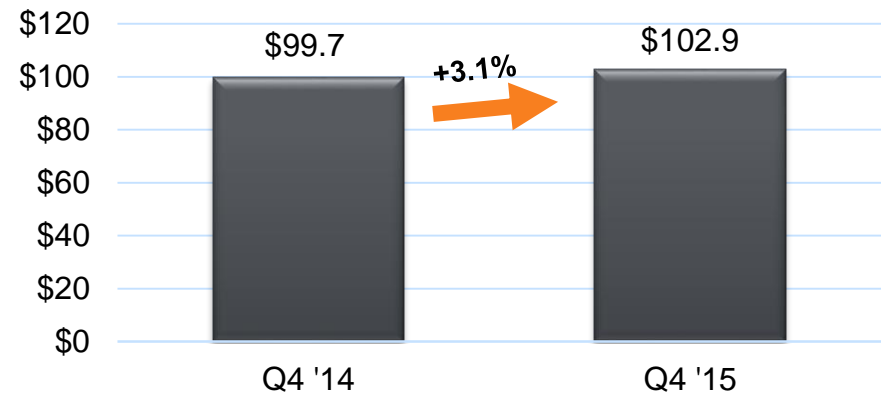


Average Investment Sales Professionals



Average Commission Per Transaction

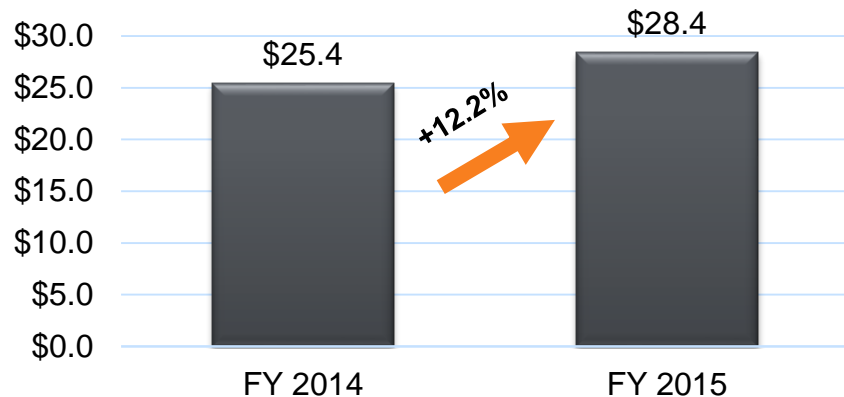
(\$ in thousands)



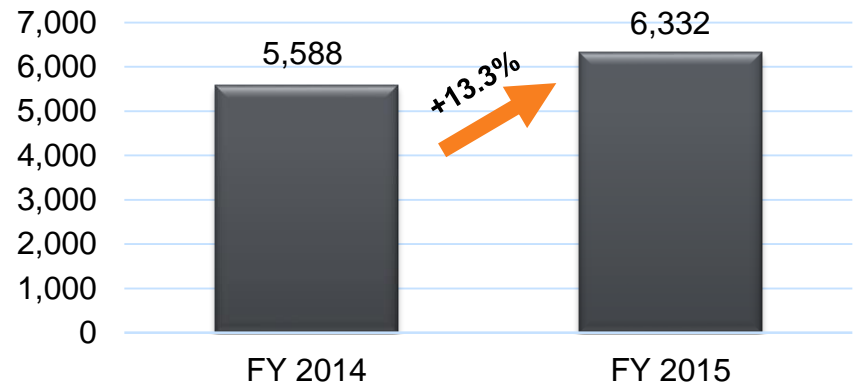
Full Year Brokerage Operating Metrics

Total Sales Volume

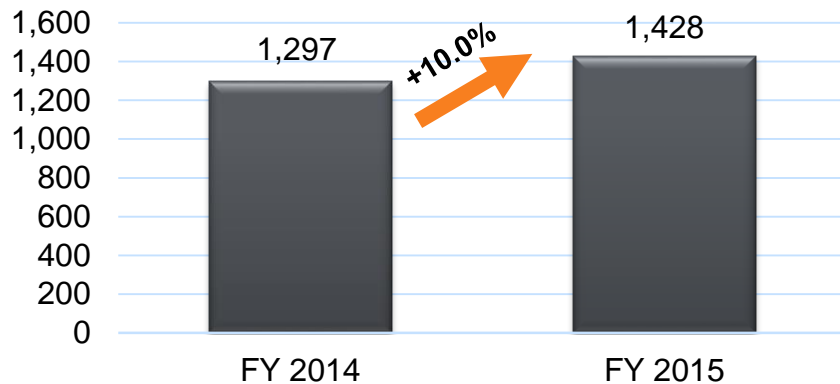
(\$ in billions)



Total Number Of Sales Transactions

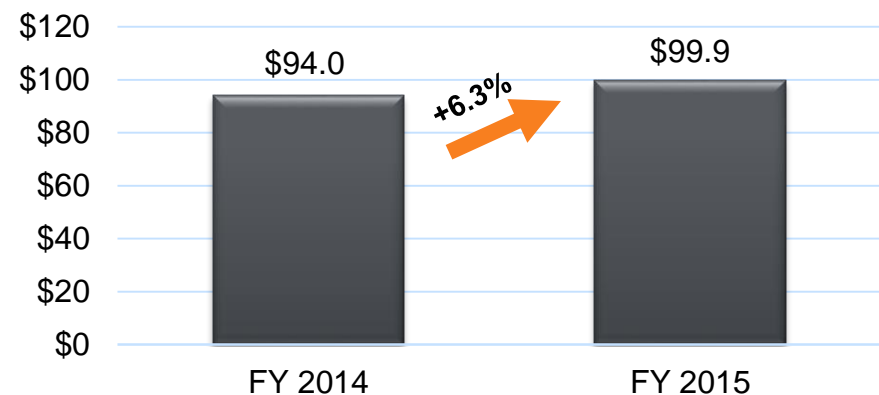


Average Investment Sales Professionals



Average Commission Per Transaction

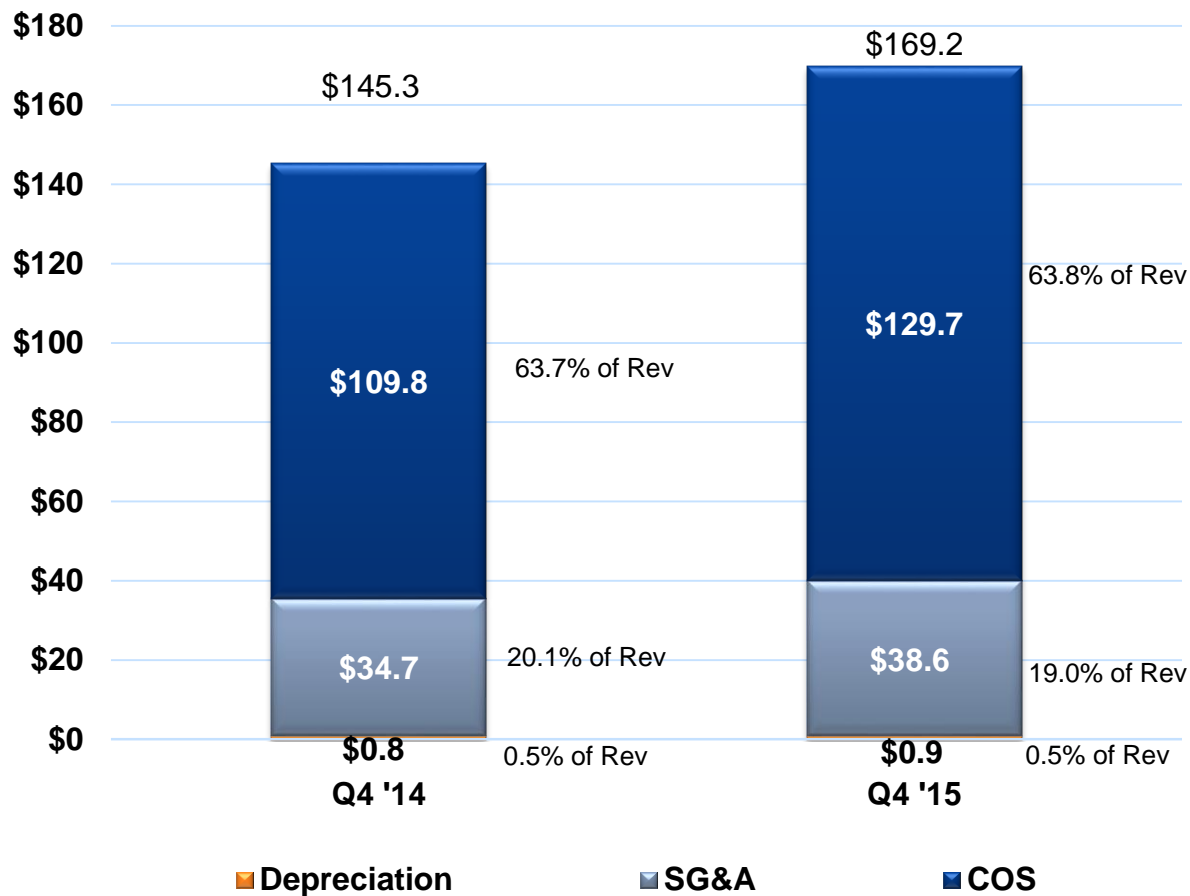
(\$ in thousands)



Q4 2015 Operating Expenses

Operating Expense

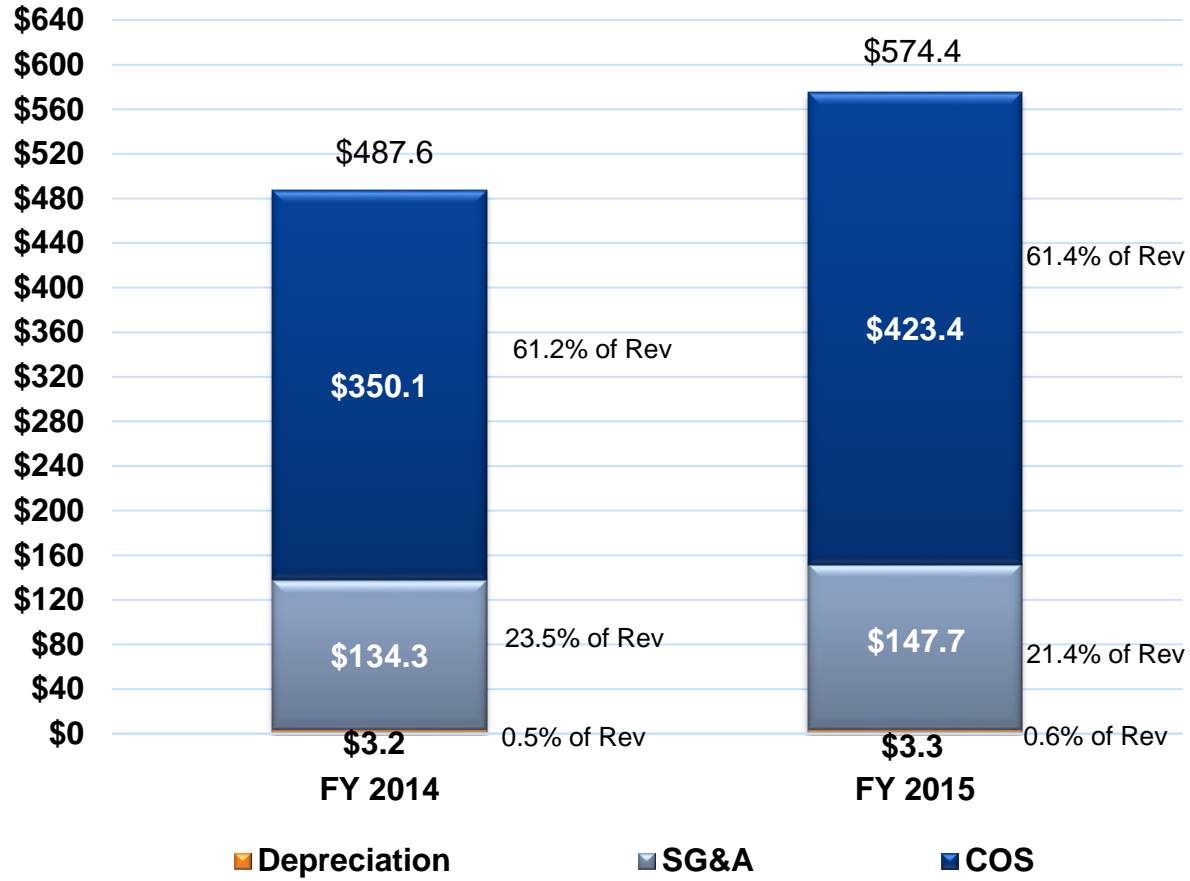
(\$ in millions)



Full Year 2015 Operating Expenses

Operating Expense

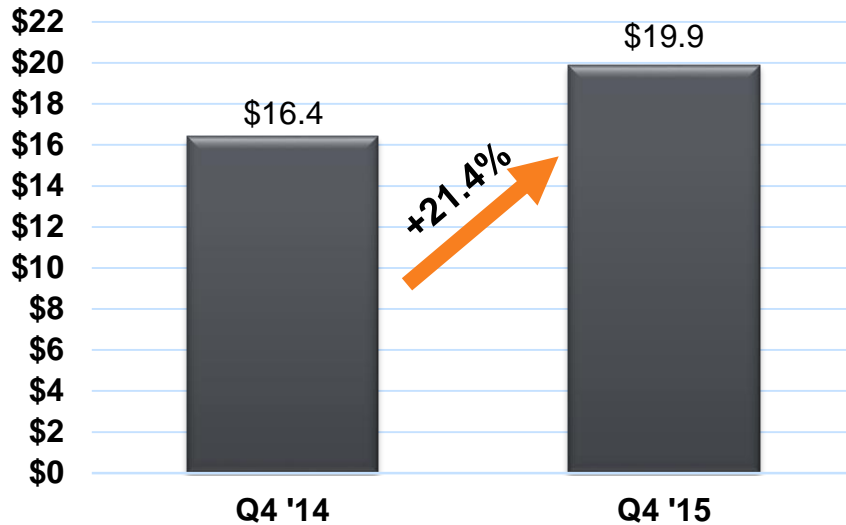
(\$ in millions)



Q4 2015 Net Income and Adjusted EBITDA Performance

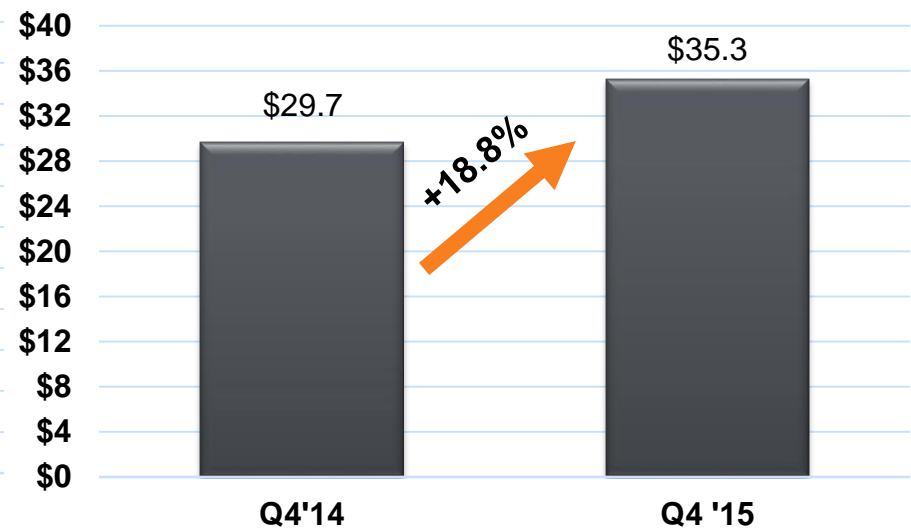
Net Income

(\$ in millions)



Adjusted EBITDA

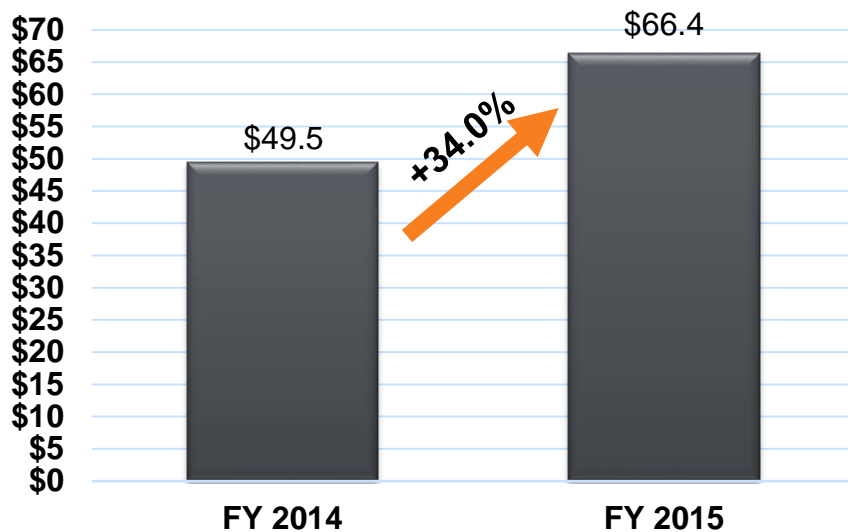
(\$ in millions)



Full Year Net Income and Adjusted EBITDA Performance

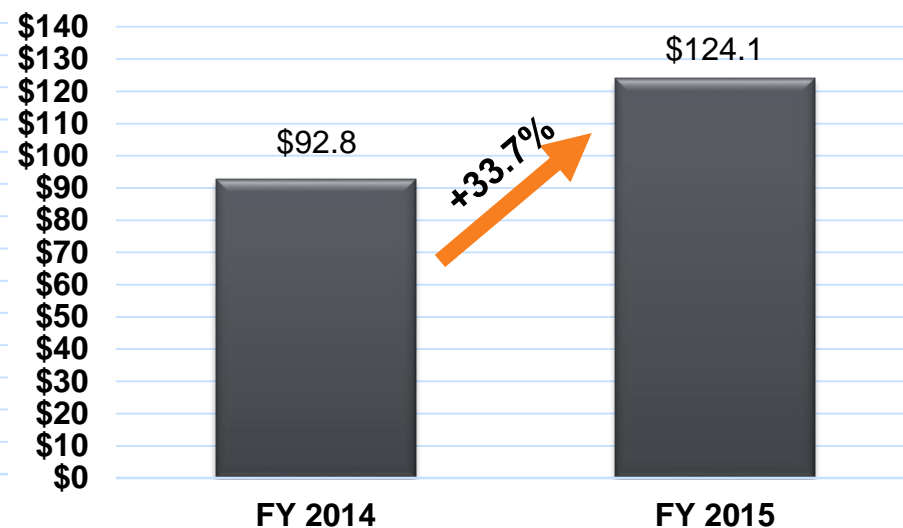
Net Income

(\$ in millions)



Adjusted EBITDA

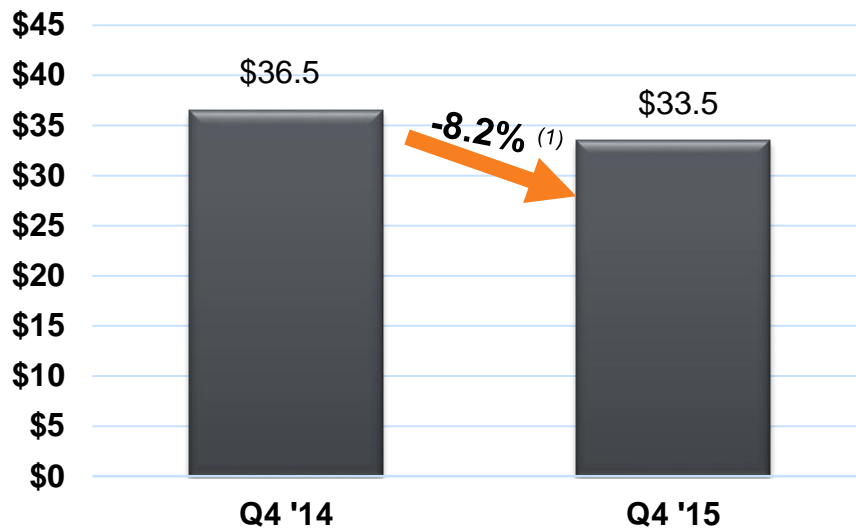
(\$ in millions)



Cash Flow from Operations

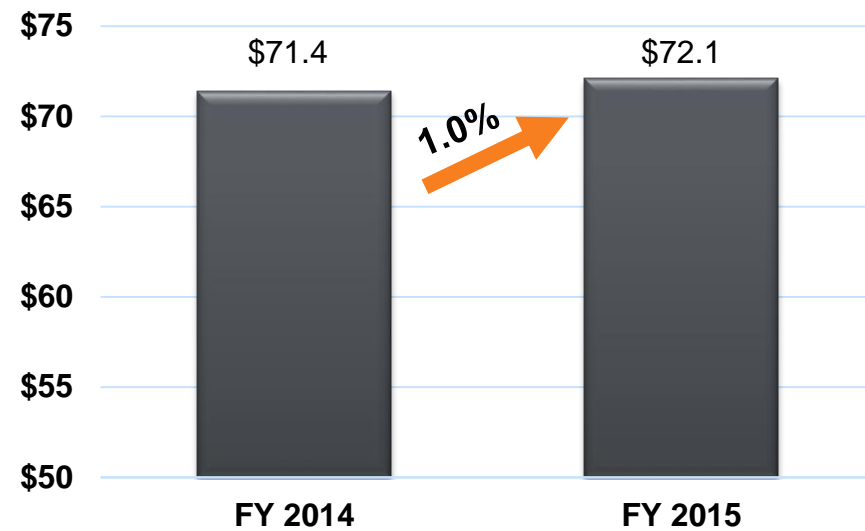
QTD Cash Flow from Operations

(\$ in millions)



Full Year Cash Flow From Operations

(\$ in millions)

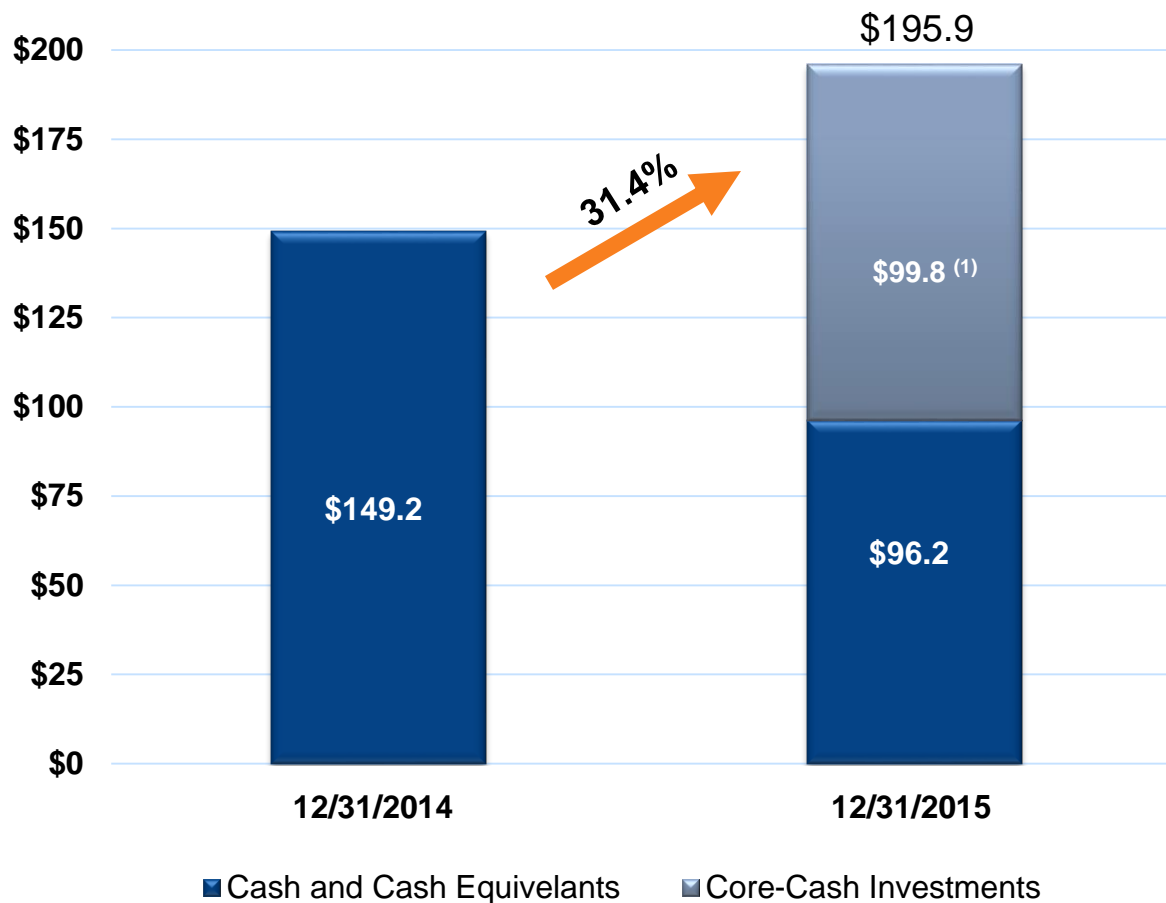


(1) Decrease primarily due to timing of payments related to accounts payable and accrued expenses and income taxes.

Strong Cash Position

Cash on Hand and Core-Cash Investments

(\$ in millions)



(1) Relates to investments designated by the Company as core-cash investments in fixed and variable debt securities, in accordance with our investment policy approved by the Board of Directors with weighted average maturity of 0.65 years.

Appendix

Adjusted EBITDA Reconciliation

Adjusted EBITDA, which the Company defines as net income before interest income/expense, taxes, net realized gains on marketable securities, available for sale, depreciation and amortization and stock-based compensation is a non-GAAP financial measure. The Company uses Adjusted EBITDA in its business operations to, among other things, evaluate the performance of its business, develop budgets and measure its performance against those budgets. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate its overall operating performance. However, Adjusted EBITDA has material limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under U.S. generally accepted accounting principles ("U.S. GAAP"). The Company finds Adjusted EBITDA as a useful tool to assist in evaluating performance because it eliminates items related to capital structure and taxes and non-cash stock-based compensation charges. In light of the foregoing limitations, the Company does not rely solely on Adjusted EBITDA as a performance measure and also considers its U.S. GAAP results. Adjusted EBITDA is not a measurement of the Company's financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. Because Adjusted EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies.

A reconciliation of the most directly comparable U.S. GAAP financial measure, net income, to Adjusted EBITDA is as follows (in thousands):

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net Income.....	\$ 19,949	\$ 16,430	\$ 66,350	\$ 49,531
Adjustments:				
Interest income and other ⁽¹⁾	(376)	(44)	(1,373)	(50)
Interest expense.....	377	449	1,726	1,651
Provision for income taxes.....	14,024	10,285	47,018	33,452
Depreciation and amortization.....	916	807	3,305	3,206
Stock-based compensation.....	<u>364</u>	<u>1,759</u>	<u>7,114</u>	<u>5,034</u>
Adjusted EBITDA.....	<u>\$ 35,254</u>	<u>\$ 29,686</u>	<u>\$ 124,140</u>	<u>\$ 92,824</u>

⁽¹⁾ Other for the three and twelve months ended December 31, 2015 includes \$2 and \$132 of net realized gains on marketable securities, available-for-sale, respectively.

Company Overview

National Platform Focused on Investment Brokerage

- 45-year old platform dedicated to perfecting real estate investment brokerage
- Designed to facilitate the movement of capital providing liquidity to clients

Market Leader in the Private Client Segment

- Only national brokerage firm focused on the private client segment
- Private client market segment (\$1 - \$10 million) consistently comprises 80%+ of U.S. commercial property sales transactions annually

Platform Built for Maximizing Investor Value

- Marcus & Millichap Capital Corporation (“MMCC”), Research & Advisory support client dialogue, financing, strategy and sales execution
- Culture and policy of information sharing is key to maximizing investor value

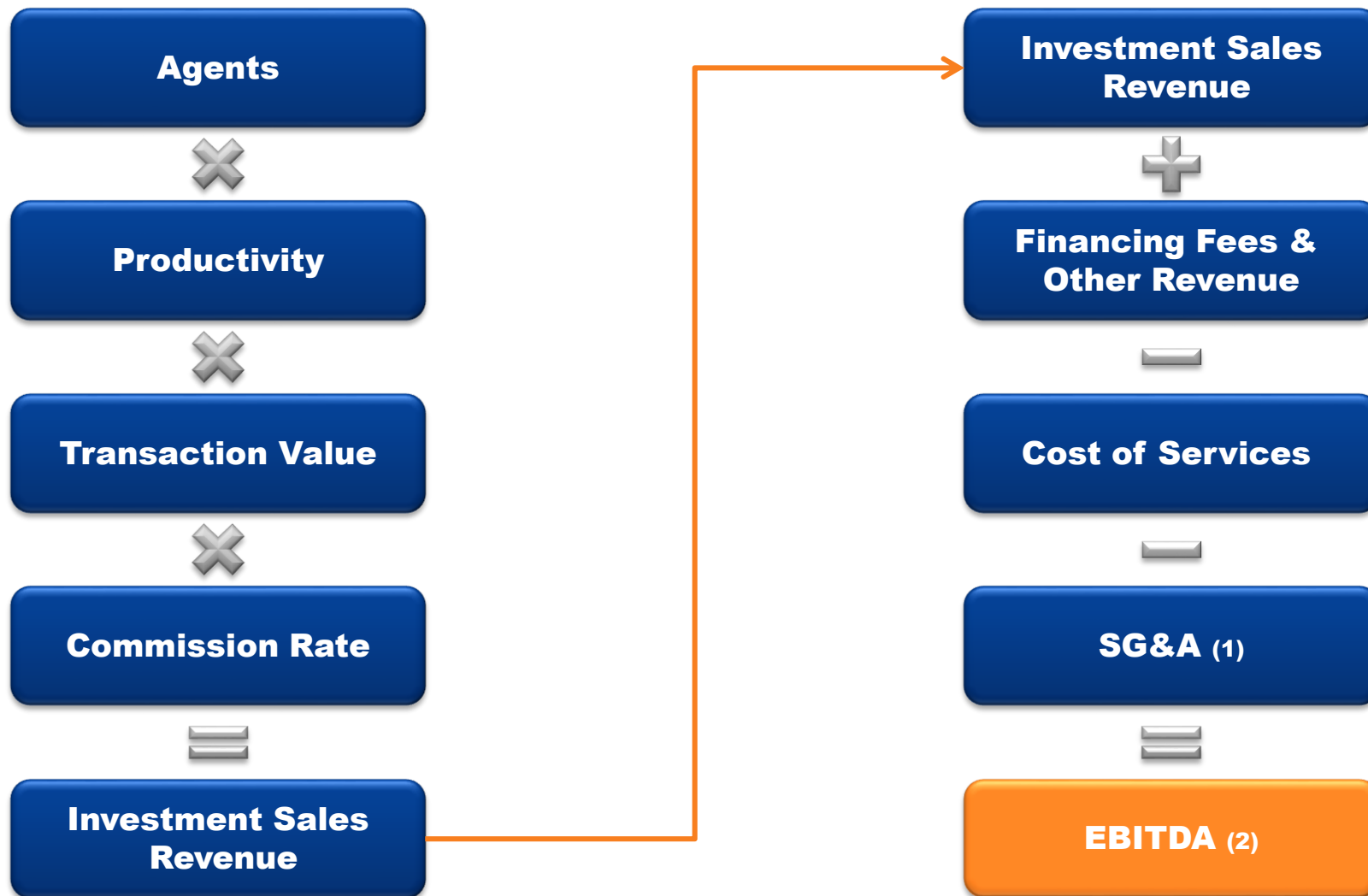
Management With Significant Investment Brokerage Experience

- Non-competitive management with extensive investment brokerage experience, committed to training, coaching and supporting investment sales professionals
- Creates a competitive advantage through agent retention and better client results

Well Positioned to Execute on Strategic Growth Plan

- Positioned to increase private client market segment share, expand presence in specialty niches/larger transaction business and grow financing division, MMCC

Illustrative MMI Earnings Model



(1) Includes stock-based compensation

(2) EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measure derived in accordance with U.S. GAAP.