

# THIRD QUARTER 2019 EARNINGS CONFERENCE CALL

November 7, 2019

# 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 2019 and beyond and expectations for market share growth. 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 filed with the Securities and Exchange Commission on March 1, 2019.

## CONFERENCE CALL PARTICIPANTS



**HESSAM NADJI**

President, Chief Executive Officer and Director



**MARTY LOUIE**

Chief Financial Officer

# MMI FINANCIAL HIGHLIGHTS

# 2019 THIRD QUARTER HIGHLIGHTS

Financial Highlights		YOY
<b>Revenue</b>	\$198.2 million	(5.9)%
<b>Net Income</b>	\$19.3 million	(7.5)%
<b>Adjusted EBITDA</b>	\$27.9 million	(13.3)%

Operational Highlights		YOY
<b>Sales Volume</b>	\$12.1 billion	0.6%
<b>Transaction Closings</b>	2,435	0.3%
<b>Investment Sales and Financing Professionals as of September 30, 2019</b>	1,945	4.0%

# YEAR-TO-DATE 2019 HIGHLIGHTS

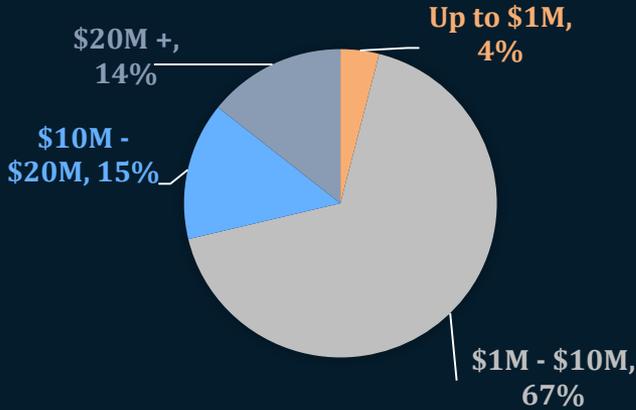
Financial Highlights		YOY
<b>Revenue</b>	\$568.5 million	(2.7)%
<b>Net Income</b>	\$56.2 million	(7.9)%
<b>Adjusted EBITDA</b>	\$83.0 million	(11.0)%

Operational Highlights		YOY
<b>Sales Volume</b>	\$34.9 billion	5.2%
<b>Transaction Closings</b>	6,920	0.7%
<b>Investment Sales and Financing Professionals as of September 30, 2019</b>	1,945	4.0%

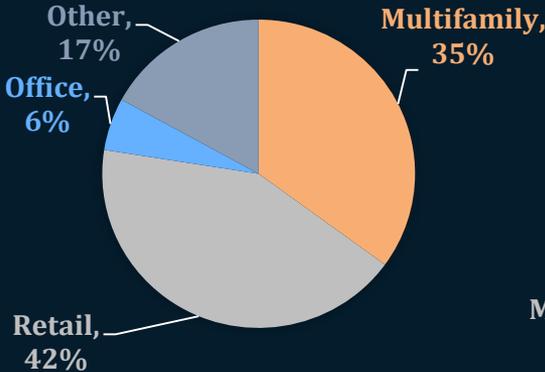
# 2019 THIRD QUARTER BROKERAGE HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$9.6 billion	2.9%
<b>Transaction Closings</b>	1,753	(3.1)%
<b>Investment Sales Professionals as of September 30, 2019</b>	1,846	4.6%
<b>Real Estate Brokerage Commissions Revenue</b>	\$180.2 million	(6.1)%

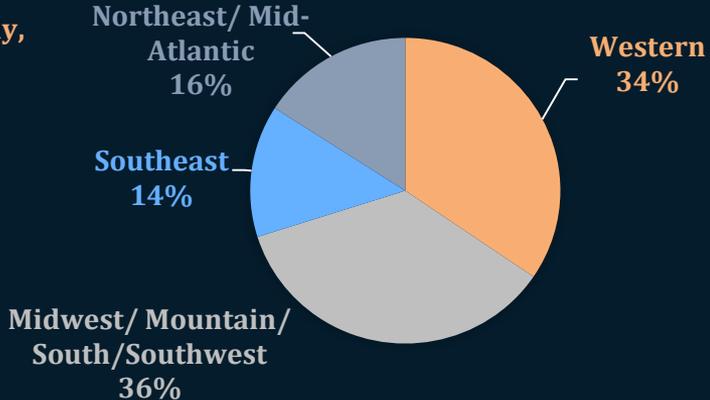
**Revenue by Transaction Size**



**Transactions by Property Type**

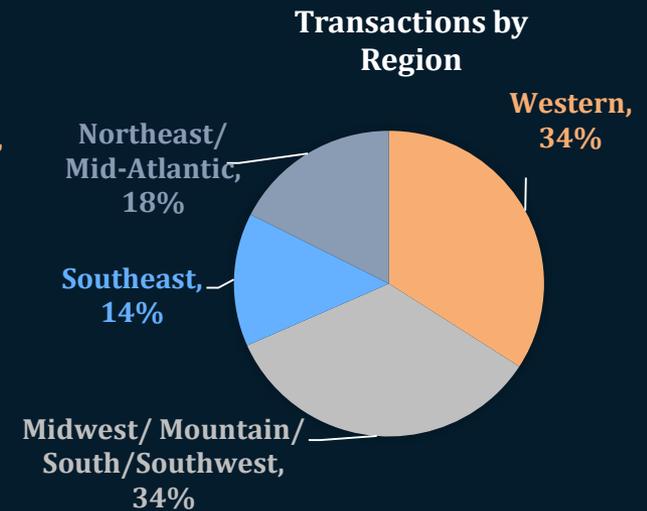
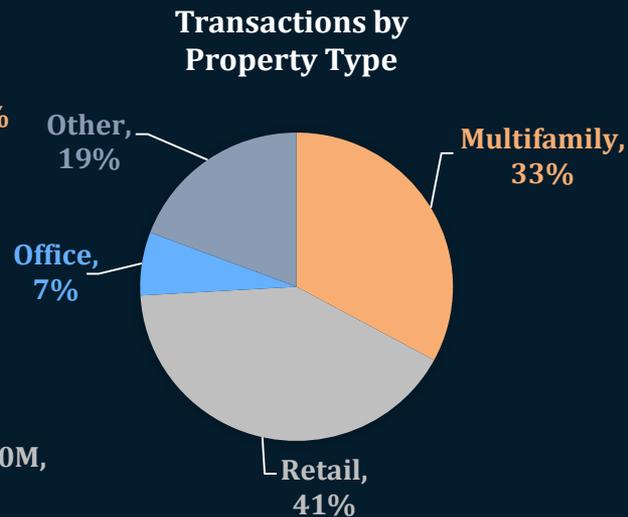
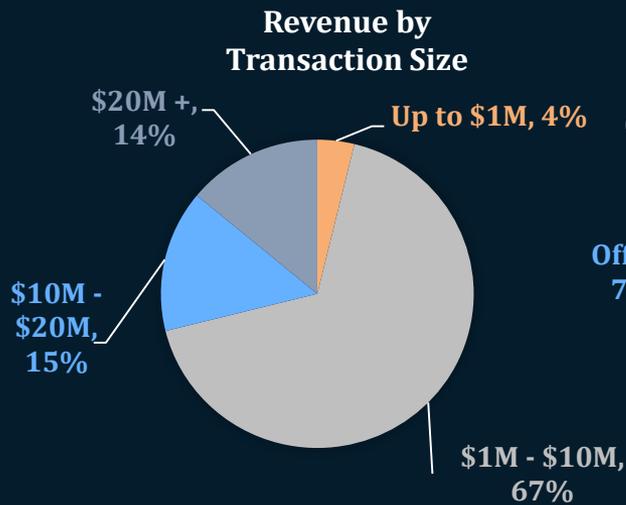


**Transactions by Region**



# YEAR-TO-DATE 2019 BROKERAGE HIGHLIGHTS

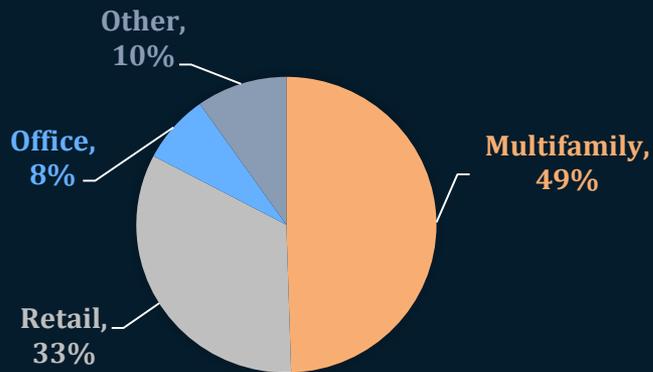
		YOY
Sales Volume	\$25.9 billion	(1.0)%
Transaction Closings	4,992	(3.0)%
Investment Sales Professionals as of September 30, 2019	1,846	4.6%
Real Estate Brokerage Commissions Revenue	\$513.8 million	(4.2)%



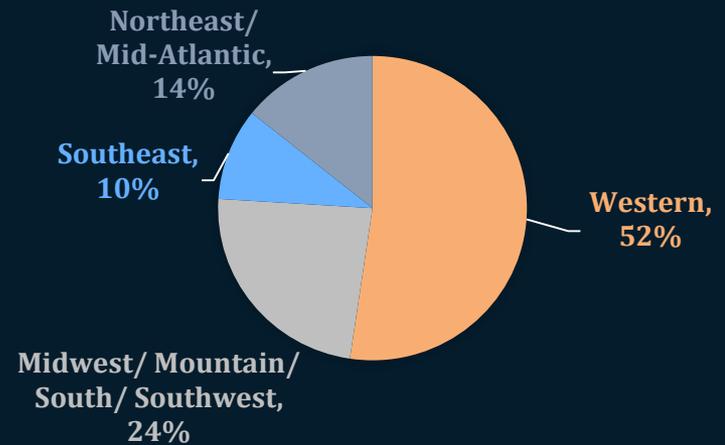
# 2019 THIRD QUARTER FINANCING HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$1.7 billion	(4.8)%
<b>Transaction Closings</b>	491	13.1%
<b>Financing Professionals as of September 30, 2019</b>	99	(5.7)%
<b>Financing Fees Revenue</b>	\$16.0 million	0.4%

**Transactions by Property Type**

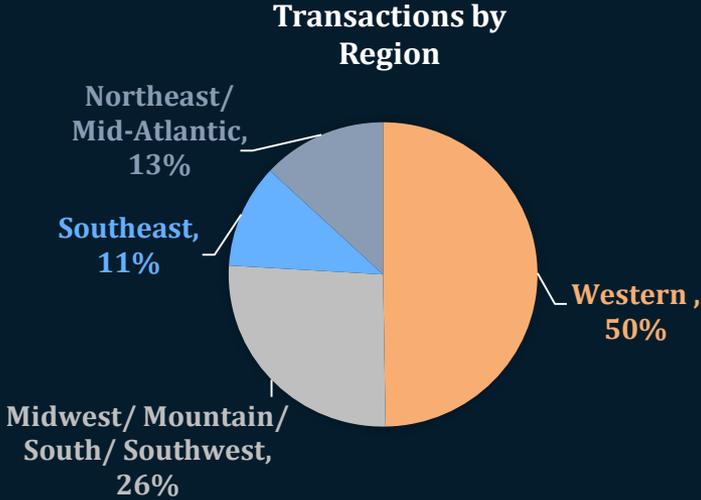
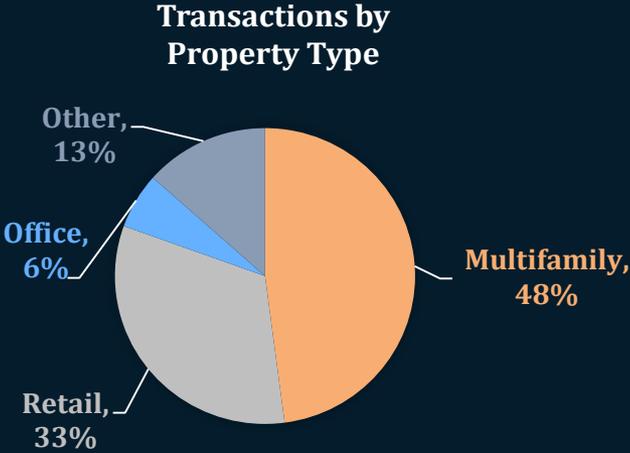


**Transactions by Region**



# YEAR-TO-DATE 2019 FINANCING HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$5.0 billion	13.5%
<b>Transaction Closings</b>	1,363	14.4%
<b>Financing Professionals as of September 30, 2019</b>	99	(5.7)%
<b>Financing Fees Revenue</b>	\$47.5 million	15.2%

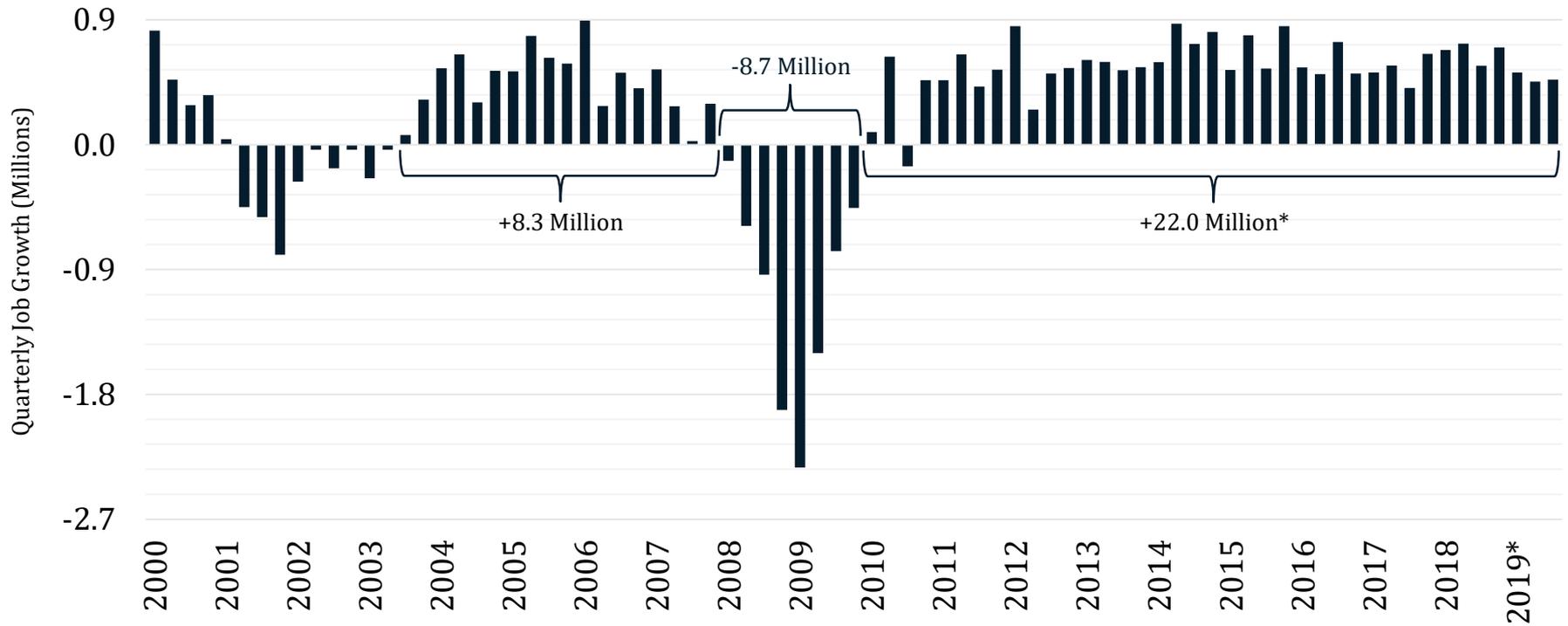


# MARKET HIGHLIGHTS

# U.S. EMPLOYMENT GAINS DRIVING REAL ESTATE DEMAND

Tight Labor Market Tapers U.S. Employment Growth in 2019

2019 forecast to add 1.9 million jobs\*\*

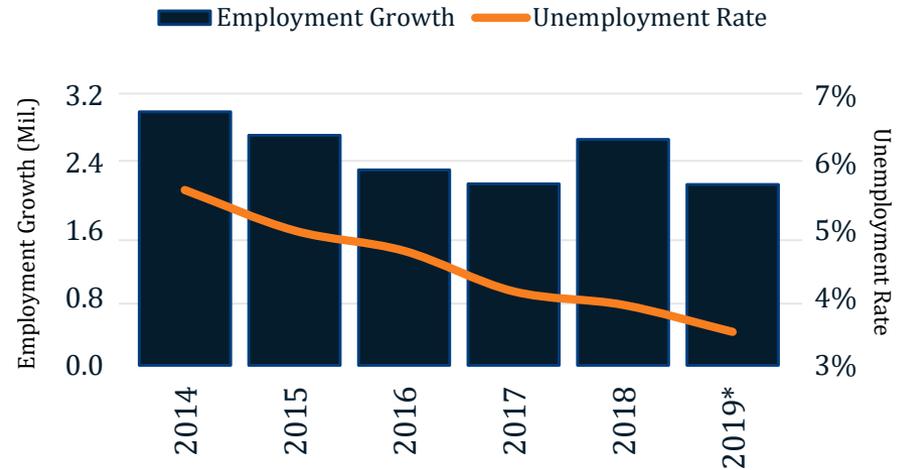


\* Through 3Q 2019  
 \*\* Forecast per Economy.com  
 Sources: BLS, Moody's Analytics

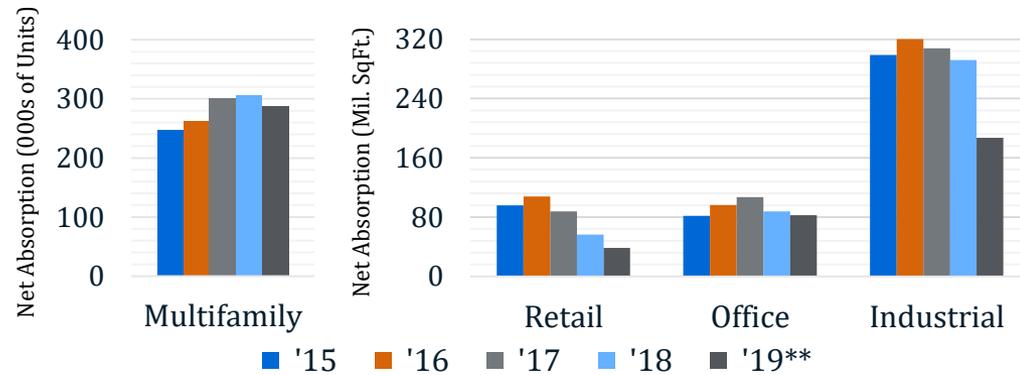
# EMPLOYMENT AND SPACE DEMAND REMAIN STRONG

- Employment growth totaled more than 2.1 million jobs in the past 12 months
- Total employment stands 13.3 million above the pre-recession peak
- Unemployment rate is down 210 basis points since 2014; lowest since 1969
- Space absorption for multifamily and office remain solid
- Retail absorption encountering variation by location, type, and age of property
- Industrial occupancy remains near record high despite high volumes of construction in 5 major markets. Users having difficulty finding quality space in other major metros, thereby slowing absorption

## Employment Growth vs. Unemployment Rate



## Space Absorption Trends



\* Through 3Q; trailing 12-months through 3Q 2019 for employment growth

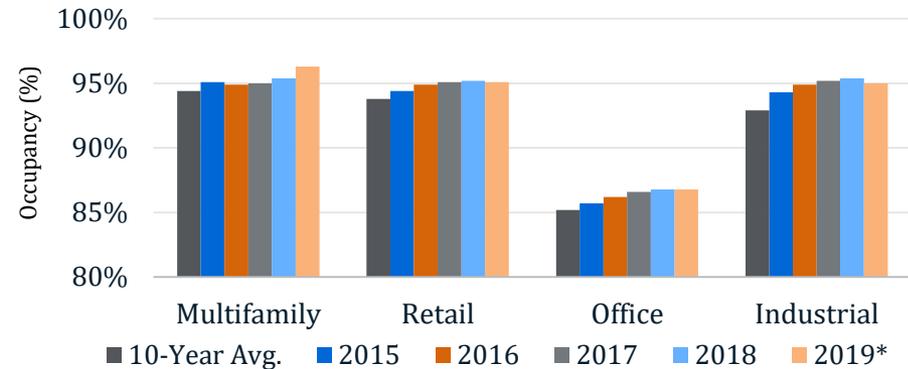
\*\* Preliminary estimate for trailing 12-months through 3Q 2019

Sources: BLS, CoStar Group, Inc., RealPage, Inc.

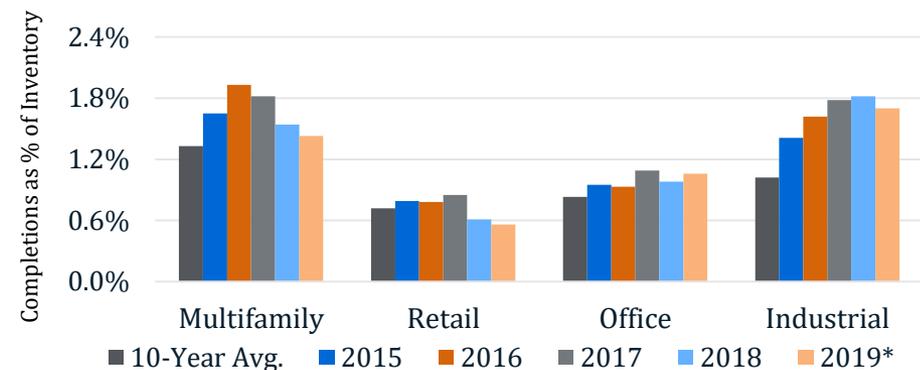
# PROPERTY FUNDAMENTALS REMAIN HEALTHY; CONSTRUCTION LEVELS BEGINNING TO EASE

- Property fundamentals demonstrate healthy performance across all property types
- Multifamily and industrial properties led the recovery – new supply in both sectors has peaked and is beginning to abate
- Select markets facing some high-end apartment oversupply risk; class B/C workforce apartments remain very stable
- New supply for retail remains well below the long-term average while office construction is significantly below the peak of the prior growth cycle

### Occupancy Trends



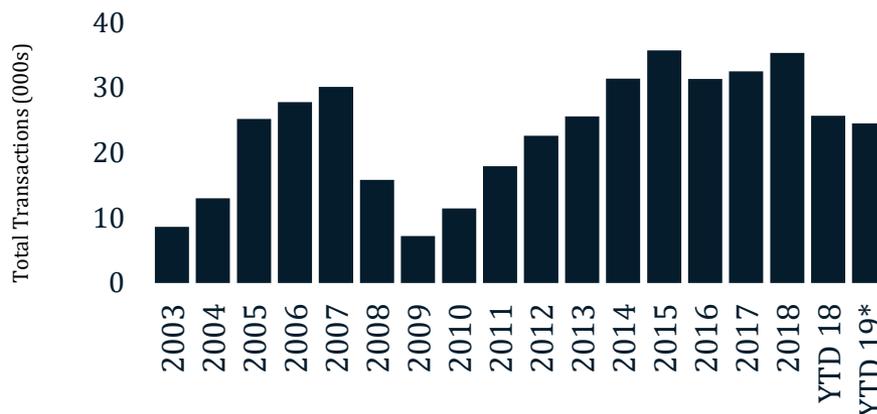
### Construction Trends



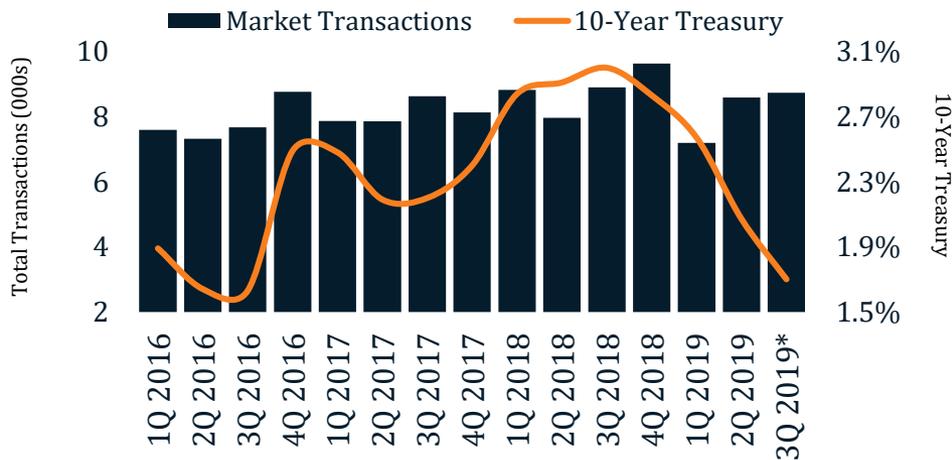
## INVESTMENT SALES SLIP, BUT REMAIN AT HEALTHY LEVELS

- Rising interest rates and hawkish Fed messaging in 2018 motivated investors resulting in more transaction activity last year.
- The reversal in Fed messaging in early 2019 and shift towards dovish stance, including first rate decrease since '08, lowered interest rates. This caused some investors to take more time to secure favorable financing rates.
- For the third quarter transactions declined an estimated 11.5% excluding industrial, which better represents MMI's core property types.
- Overall transactions declined by 5% year-to-date based on preliminary estimates.<sup>(1)</sup>
- Steady economic outlook, abating construction pipeline, and lower interest rates are expected to support a healthy market environment.
- Price and cap rates stable, but widened bid-ask spread remains persistent.

Annual U.S. Commercial Real Estate Sales Trends<sup>(1)</sup>



Quarterly U.S. Commercial Real Estate Sales and Interest Rates<sup>(1)</sup>



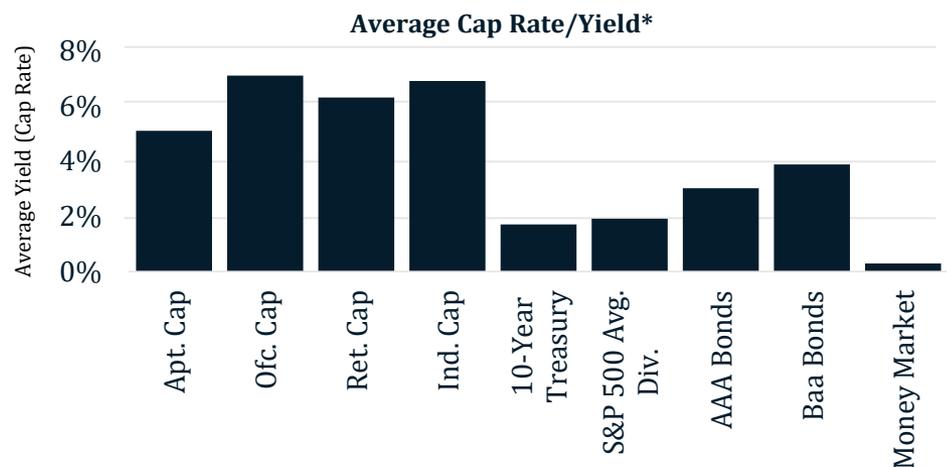
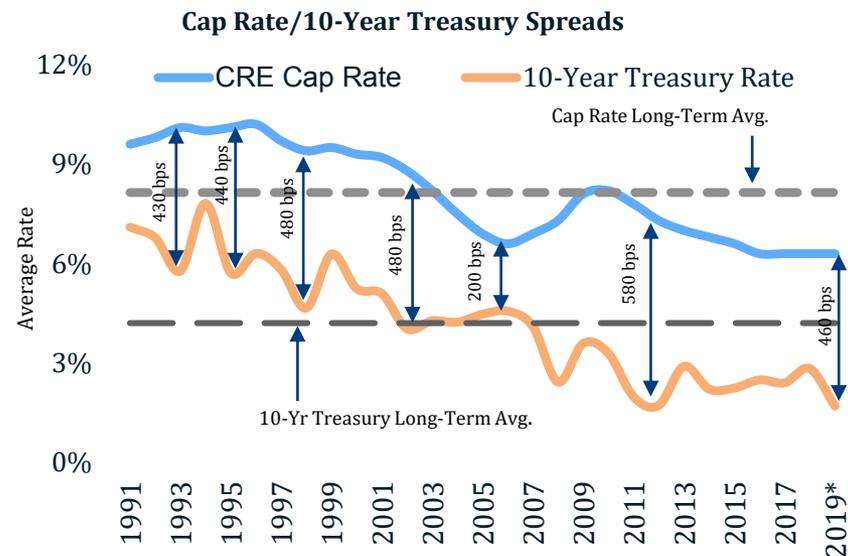
Sources: Real Capital Analytics, Federal Reserve

\* Preliminary estimate for 3Q market sales

(1) Includes sales \$2.5 million and greater for multifamily, retail, office, industrial, hotel, seniors housing, and land; multifamily, retail, office, and industrial sales for quarterly graph

# COMMERCIAL REAL ESTATE YIELDS COMPELLING

- Overall, cap rates have maintained stability despite interest rate fluctuations
- The spread between cap rates and the 10-year treasury is still wider than the 2007 market peak
- Falling treasury rate is widening the yield spread and enhancing positive leverage. The apparent bottoming of interest rates should help increase transaction activity.
- Commercial real estate offers compelling yields when compared to other investment options



\* As of 3Q 2019  
 Cap rates for sales \$1 million and greater  
 Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Standard & Poor's

# MMI MARKET POSITION

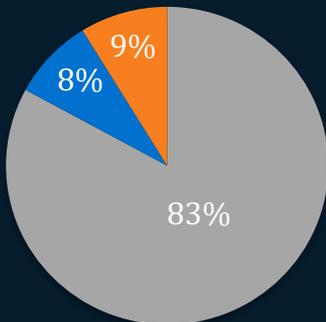
# PRIVATE CLIENT MARKET SEGMENT

## Largest Sales and Commission Pool Opportunity

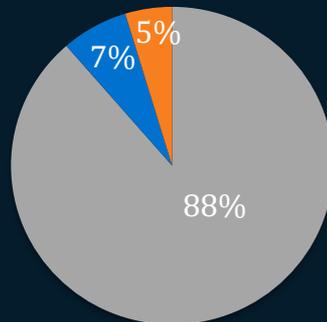
- Market segment consists of sales \$1 million - \$10 million
- Largest and most active market segment, accounting for 80%+ of transactions
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers
- Influenced by personal drivers that result in buying/selling/refinancing properties, as well as market conditions
- Market segment features the highest commission rates

Transactions by Investor Segment <sup>(1)</sup>

Commercial Real Estate Market

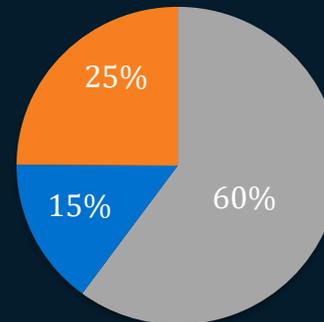


Marcus & Millichap

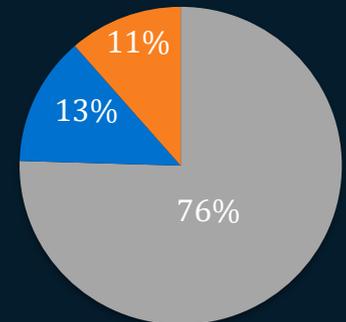


Commission Pool by Investor Segment <sup>(1) (2)</sup>

Commercial Real Estate Total Commission Pool



Marcus & Millichap Revenue



- Private Client Market Segment (\$1M - \$10M)
- Middle Market Segment (\$10M - \$20M)
- Larger Transaction Market Segment (\$20M+)

Sources: CoStar Group, Inc., Real Capital Analytics

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater for the trailing 12-months through 3Q 2019; 3Q preliminary estimate for market total.

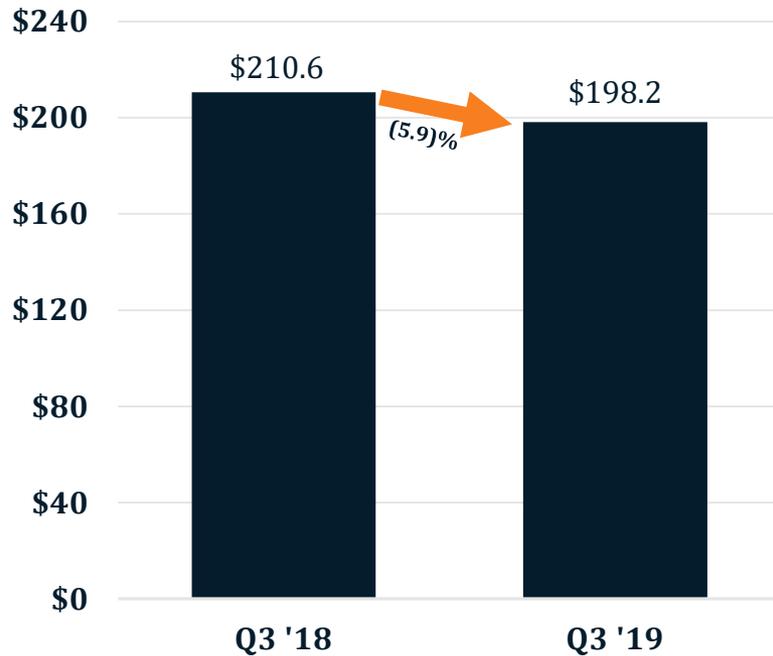
(2) Estimate based on industry averages: 3.7% commission rate for Private Client Market segment, 2.0% rate for Middle Market Segment and 0.8% for Larger Transaction Market segment.

# MMI FINANCIAL DETAILS

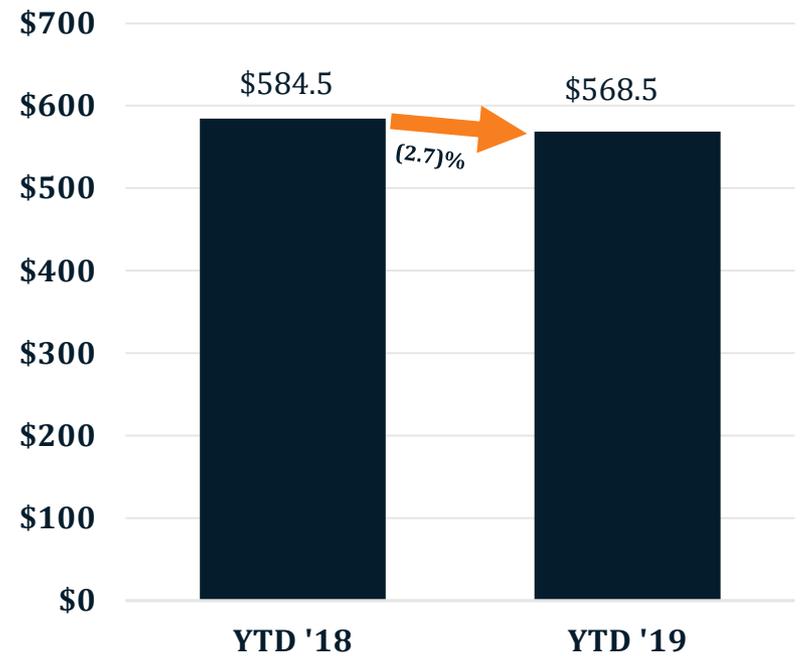
# TOTAL REVENUES

(\$ in millions)

### Q3 2018 vs. Q3 2019

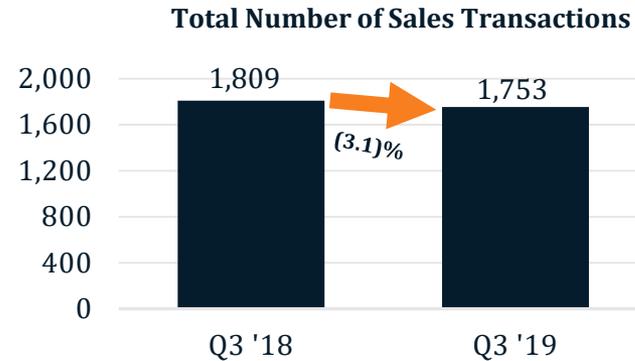


### Year-to-Date 2018 vs. 2019

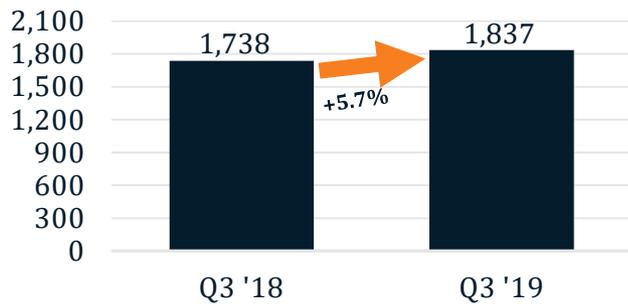


# BROKERAGE OPERATING METRICS

Q3 2019



### Average Number of Investment Sales Professionals

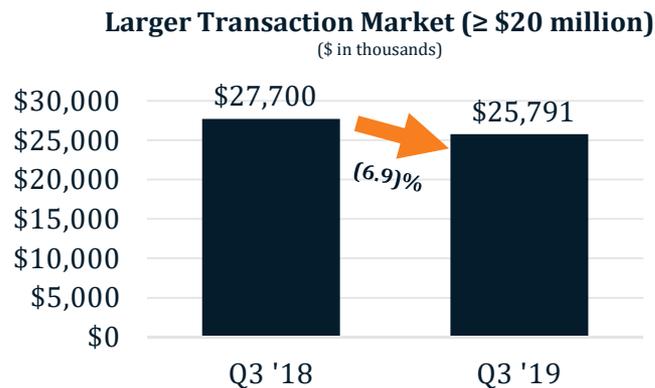
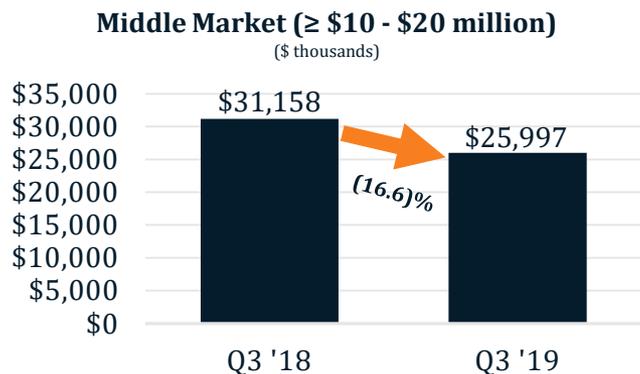
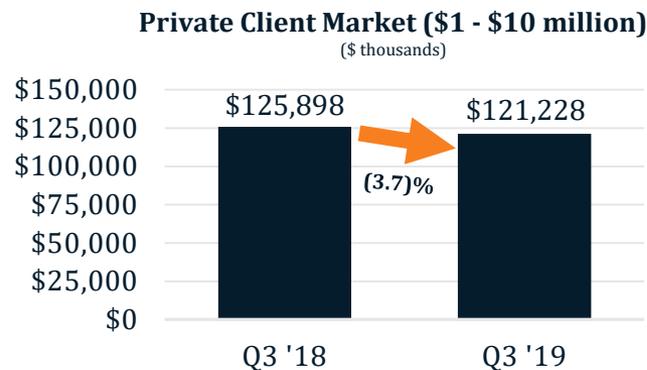
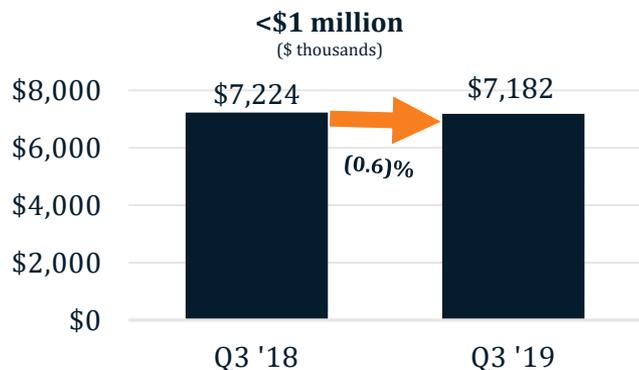


### Average Commission Per Transaction



# BROKERAGE REVENUE BY MARKET SEGMENT

Q3 2019



# BROKERAGE OPERATING METRICS

Year-to-Date 2019

**Total Sales Volume**  
(\$ in billions)



**Total Number of Sales Transactions**



**Average Number of Investment Sales Professionals**

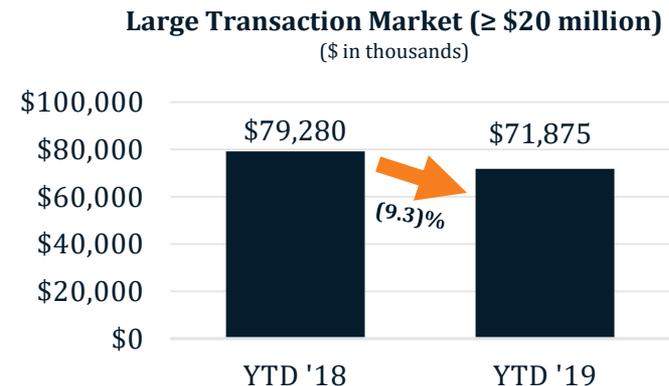
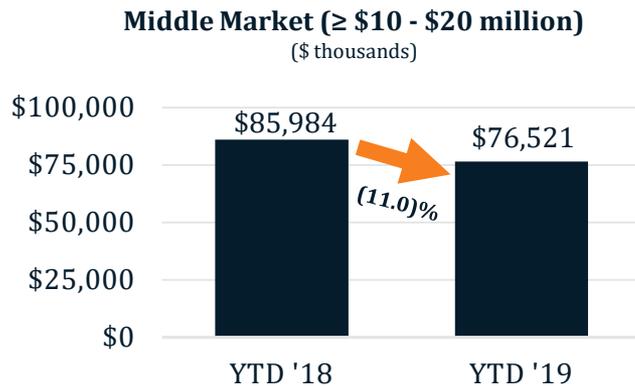
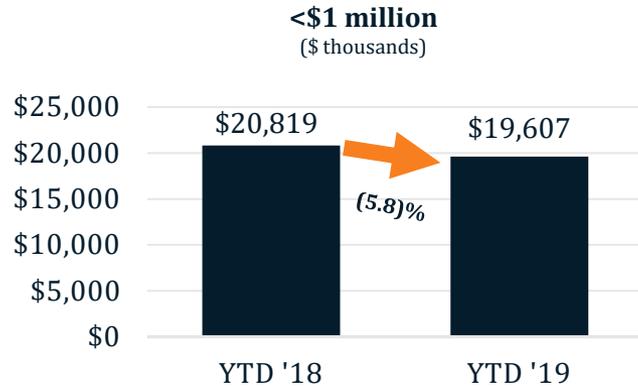


**Average Commission Per Transaction**  
(\$ in thousands)



# BROKERAGE REVENUE BY MARKET SEGMENT

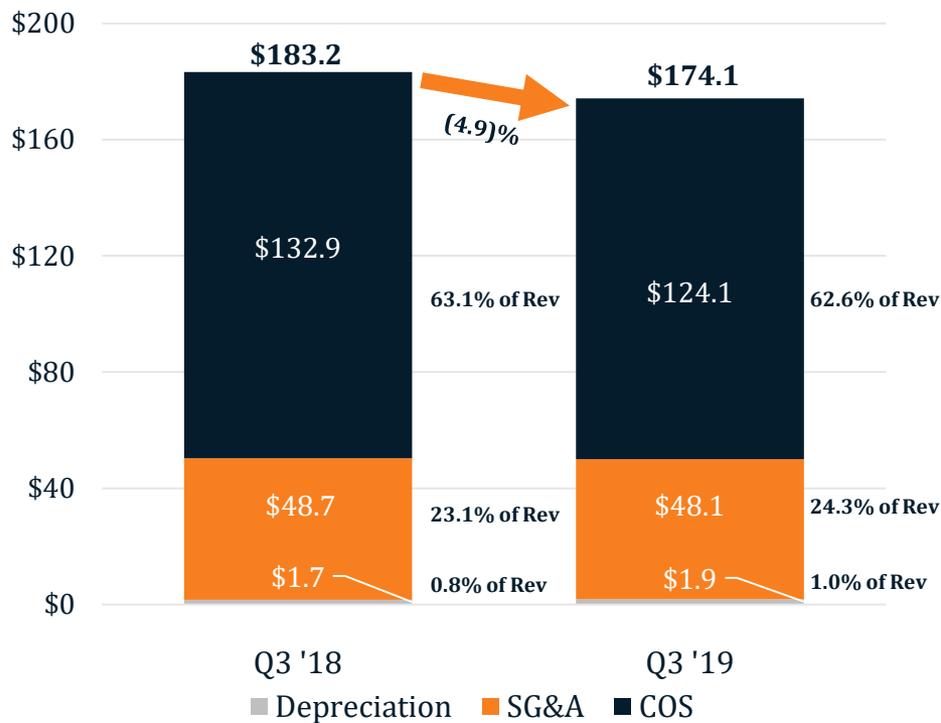
Year-to-Date 2019



# OPERATING EXPENSES

(\$ in millions)

Q3 2018 vs. Q3 2019



Year-To-Date 2018 vs. 2019



# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q3 2019

**Net Income**  
(\$ in millions)

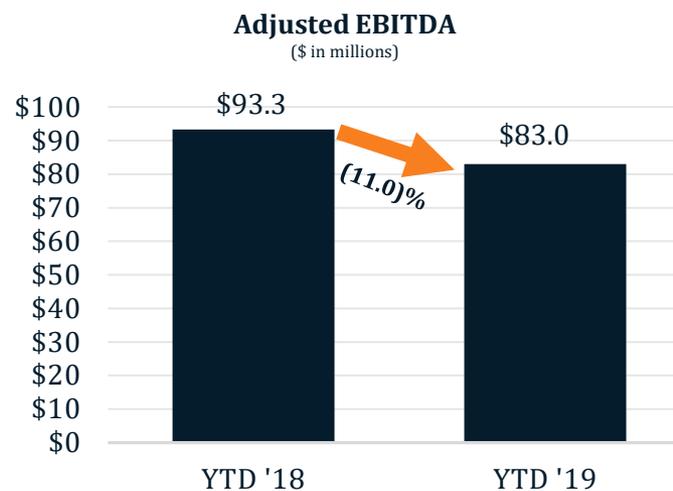
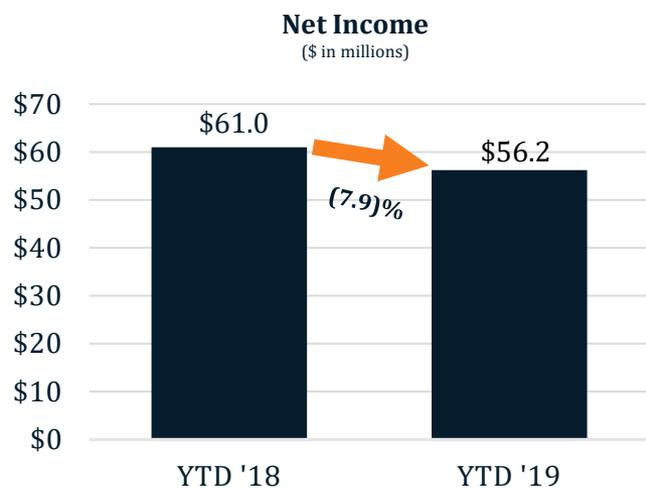


**Adjusted EBITDA**  
(\$ in millions)



# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Year-to-Date 2019



# CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES

**QTD Cash Flow Provided by  
Operating Activities**  
(\$ in millions)

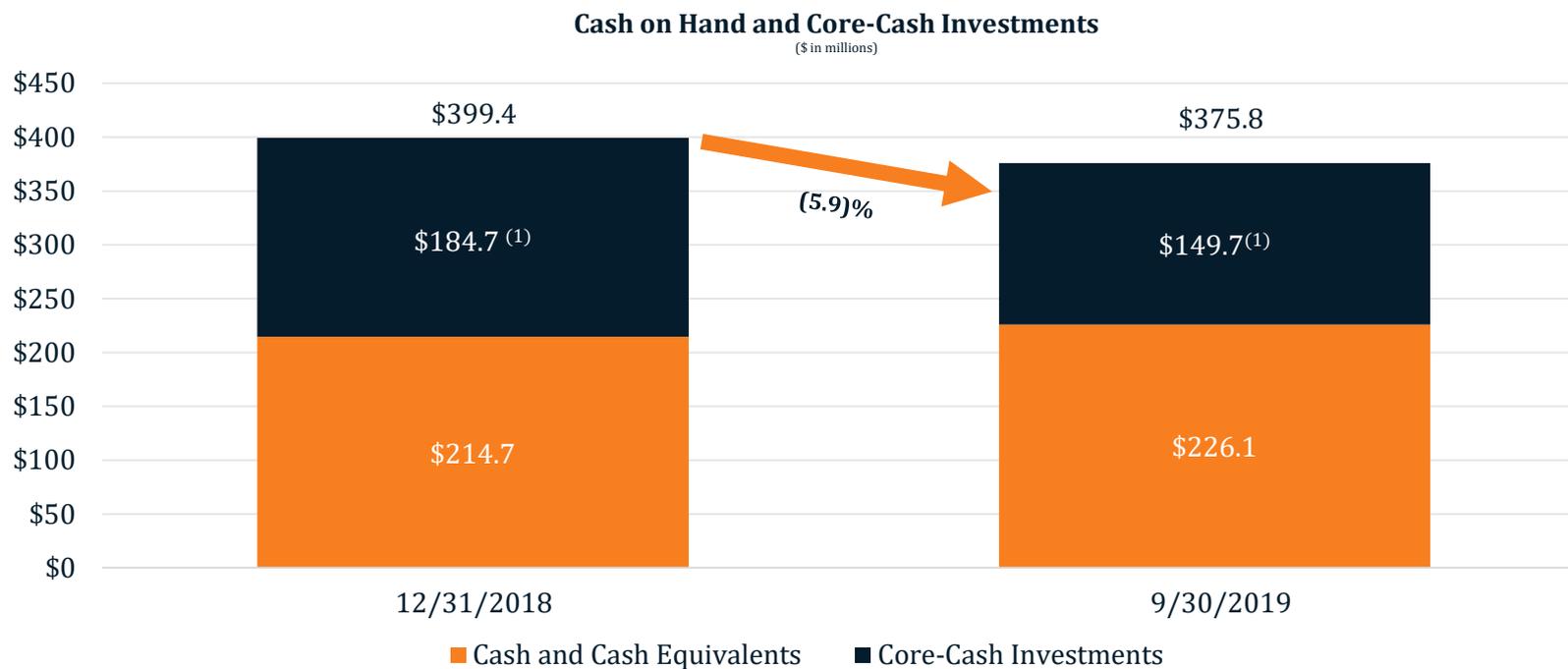


**YTD Cash Flow Provided by (Used In)  
Operating Activities**  
(\$ in millions)



(1) Net cash provided by (used in) operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The \$61.1 million increased usage in operating cash flows for the nine months ended September 30, 2019 compared to the same period in 2018 was primarily due a decrease in our real estate brokerage revenue and a higher proportion of operating expenses compared to total revenues, differences in timing of certain payments and receipts, an increase in advances to our investment sales and financing professionals, an increase in bonus payments in 2019 related to the 2018 bonuses and a reduction in the discretionary deferral of certain commissions.

# STRONG LIQUID CAPITAL POSITION



(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 0.62 years and 0.81 years for the periods ended 9/30/19 and 12/31/18, respectively.

# APPENDIX

## ADJUSTED EBITDA RECONCILIATION

Adjusted EBITDA, which the Company defines as net income before (i) interest income and other, including net realized gains (losses) on marketable securities, available-for-sale and cash and cash equivalents, (ii) interest expense, (iii) provision for income taxes, (iv) depreciation and amortization, (v) stock-based compensation and (vi) non-cash mortgage servicing rights (“MSRs”) activity. The Company uses Adjusted EBITDA in its business operations to evaluate the performance of its business, develop budgets and measure its performance against those budgets, among other things. 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 to be a useful tool to assist in evaluating performance because Adjusted EBITDA eliminates items related to capital structure, taxes and non-cash items. In light of the foregoing limitations, 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 calculated in accordance with U.S. GAAP. Because Adjusted EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
<b>Net Income</b>	\$19,292	\$20,854	\$56,209	\$61,032
<b>Adjustments:</b>				
<b>Interest income and other<sup>(1)</sup></b>	(2,725)	(1,824)	(7,828)	(4,626)
<b>Interest expense</b>	329	342	1,018	1,054
<b>Provision for income taxes</b>	7,024	8,315	21,159	22,772
<b>Depreciation and amortization</b>	1,910	1,651	5,674	4,529
<b>Stock-based compensation</b>	2,114	3,147	7,040	8,919
<b>Other non-cash MSR activity<sup>(2)</sup></b>	(79)	(330)	(232)	(371)
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>\$27,865</b>	<b>\$32,155</b>	<b>\$83,040</b>	<b>\$93,309</b>

(1) Other for the three and nine months ended September 30, 2019 and 2018 includes net realized gains (losses) on marketable securities, available-for-sale.

(2) Non-cash MSRs activity includes the assumption of servicing obligations.

(3) The decrease in Adjusted EBITDA for the three and nine months ended September 30, 2019 compared to the same period in 2018 is primarily due to lower total revenues and a higher proportion of operating expenses compared to total revenues.

# COMPANY OVERVIEW

## **NATIONAL PLATFORM FOCUSED ON INVESTMENT BROKERAGE**

- 48-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 MARKET SEGMENT**

- Only national brokerage firm focused on the Private Client Market segment
- Private Client Market segment 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

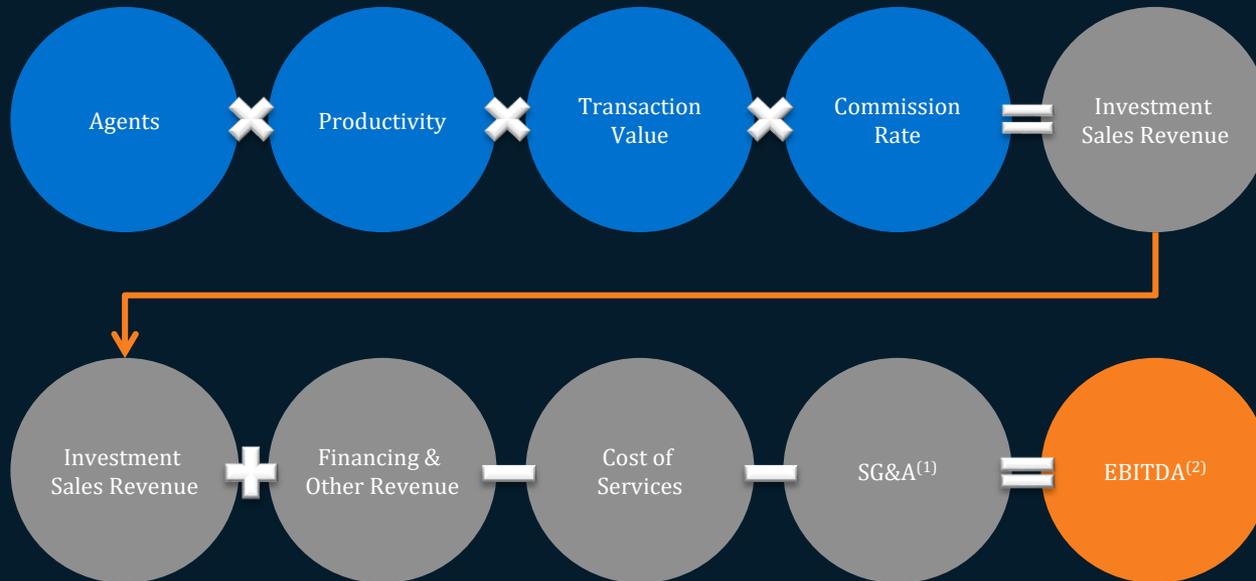
## **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- 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