

# FIRST QUARTER 2020 EARNINGS CONFERENCE CALL

May 7, 2020

# 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 2020 and beyond, the potential impact of the COVID-19 pandemic, and expectations for changes (or fluctuations) in 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) uncertainties relating to the effects of the COVID-19 pandemic, including the length and severity of such pandemic, and the pace of recovery following such pandemic; (2) general uncertainty in the capital markets and a worsening of economic conditions and the rate and pace of economic recovery following an economic downturn; (3) changes in our business operations, including restrictions on business activities, resulting from the COVID-19 pandemic; (4) market trends in the commercial real estate market or the general economy; (5) our ability to attract and retain qualified senior executives, managers and investment sales and financing professionals; (6) the effects of increased competition on our business; (7) our ability to successfully enter new markets or increase our market share; (8) our ability to successfully expand our services and businesses and to manage any such expansions; (9) our ability to retain existing clients and develop new clients; (10) our ability to keep pace with changes in technology; (11) any business interruption or technology failure and any related impact on our reputation; (12) changes in interest rates, tax laws, employment laws or other government regulation affecting our business; and (13) other risk factors included under “Risk Factors” in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2020.

## CONFERENCE CALL PARTICIPANTS



HESSAM NADJI

President, Chief Executive Officer and Director



MARTY LOUIE

Chief Financial Officer

# MMI FINANCIAL HIGHLIGHTS

# 2020 FIRST QUARTER HIGHLIGHTS

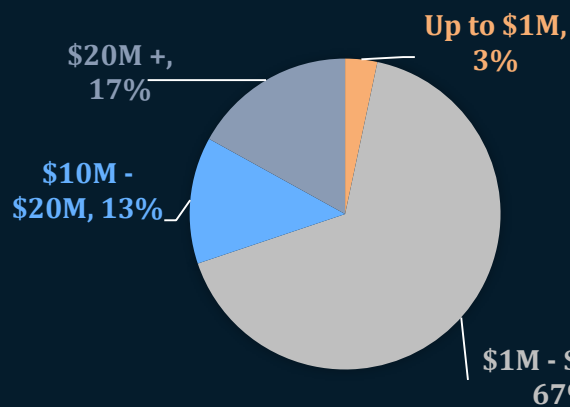
Financial Highlights		YOY
<b>Revenue</b>	\$190.7 million	18.7%
<b>Net Income</b>	\$13.1 million	(16.4)%
<b>Adjusted EBITDA</b>	\$22.4 million	(3.4)%

Operational Highlights		YOY
<b>Sales Volume</b>	\$11.8 billion	19.4%
<b>Transaction Closings</b>	2,250	15.4%
<b>Number of Investment Sales and Financing Professionals as of March 31, 2020</b>	1,993	3.9%

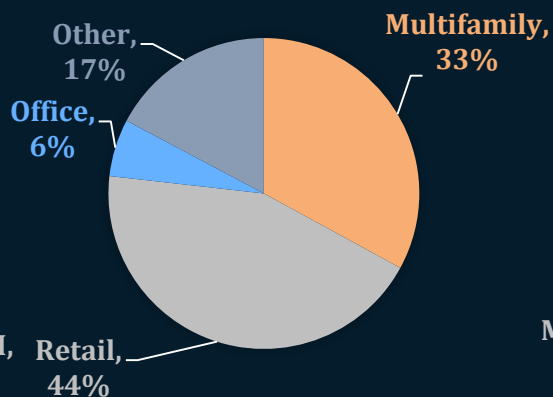
# 2020 FIRST QUARTER BROKERAGE HIGHLIGHTS

		YOY
Sales Volume	\$8.4 billion	18.9%
Transaction Closings	1,615	14.9%
Number of Investment Sales Professionals as of March 31, 2020	1,904	5.0%
Real Estate Brokerage Commissions Revenue	\$171.8 million	18.6%

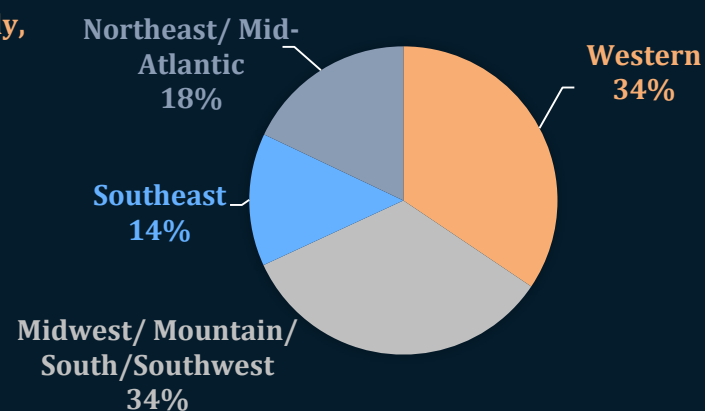
Revenue by  
Transaction Size



Transactions by  
Property Type



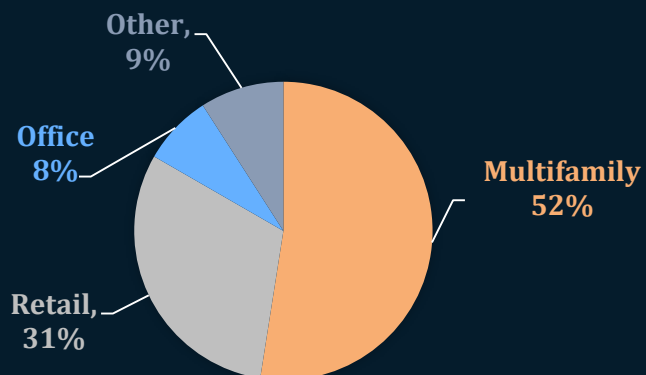
Transactions by  
Region



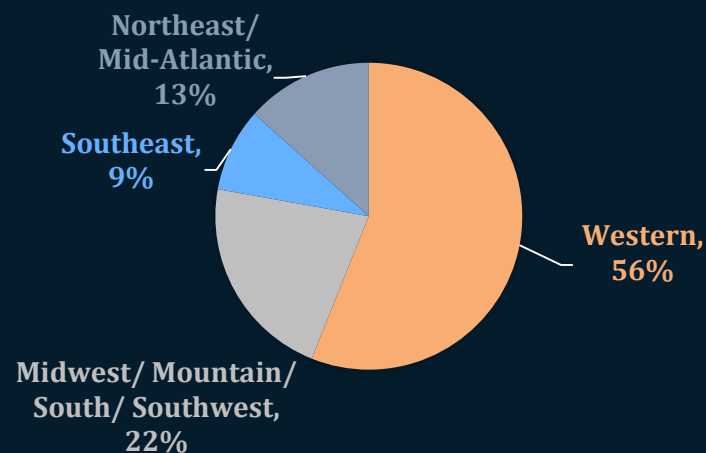
# 2020 FIRST QUARTER FINANCING HIGHLIGHTS

		YOY
Sales Volume	\$1.8 billion	20.2%
Transaction Closings	478	23.2%
Number of Financing Professionals as of March 31, 2020	89	(16.0)%
Financing Fees Revenue	\$15.4 million	11.8%

Transactions by  
Property Type



Transactions by  
Region



# COVID-19 Update



# COVID-19 Update

## Priorities

- **Health and safety of our team and our clients**
- **Continue service, support and education of our team and clients**
- **Activate extended financing network to facilitate transactions**
- **Reduce expenses and preserve capital while continuing to invest in strategic initiatives**
- **Position the firm to maximize growth during the recovery**

## Business Continuity

- **Work-from-Home policy began on March 15, 2020**
- **Pivot work flow and diligence activities to tech platform, initiate virtual meetings, property tours and inspections, etc.**
- **Continuous operations leveraging technology investments**
- **Executing plans for return to offices safely**

## COVID-19 Actions

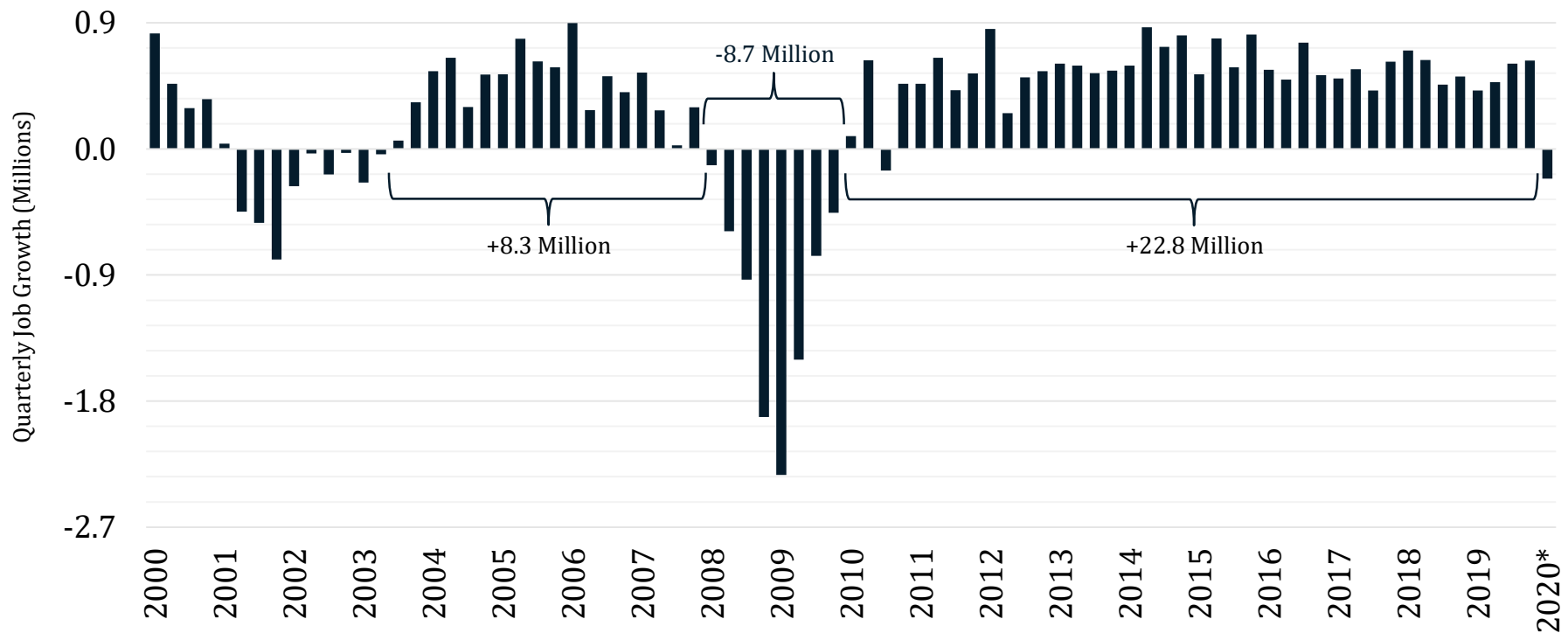
- **Conduct investor education on market disruption and opportunities**
- **Cultivate incremental financing alternatives for clients**
- **Increase visibility and prospecting to kick-start post COVID-19 pipeline**
- **Develop offensive initiatives for a better, stronger company to emerge from the recovery**

# MARKET HIGHLIGHTS

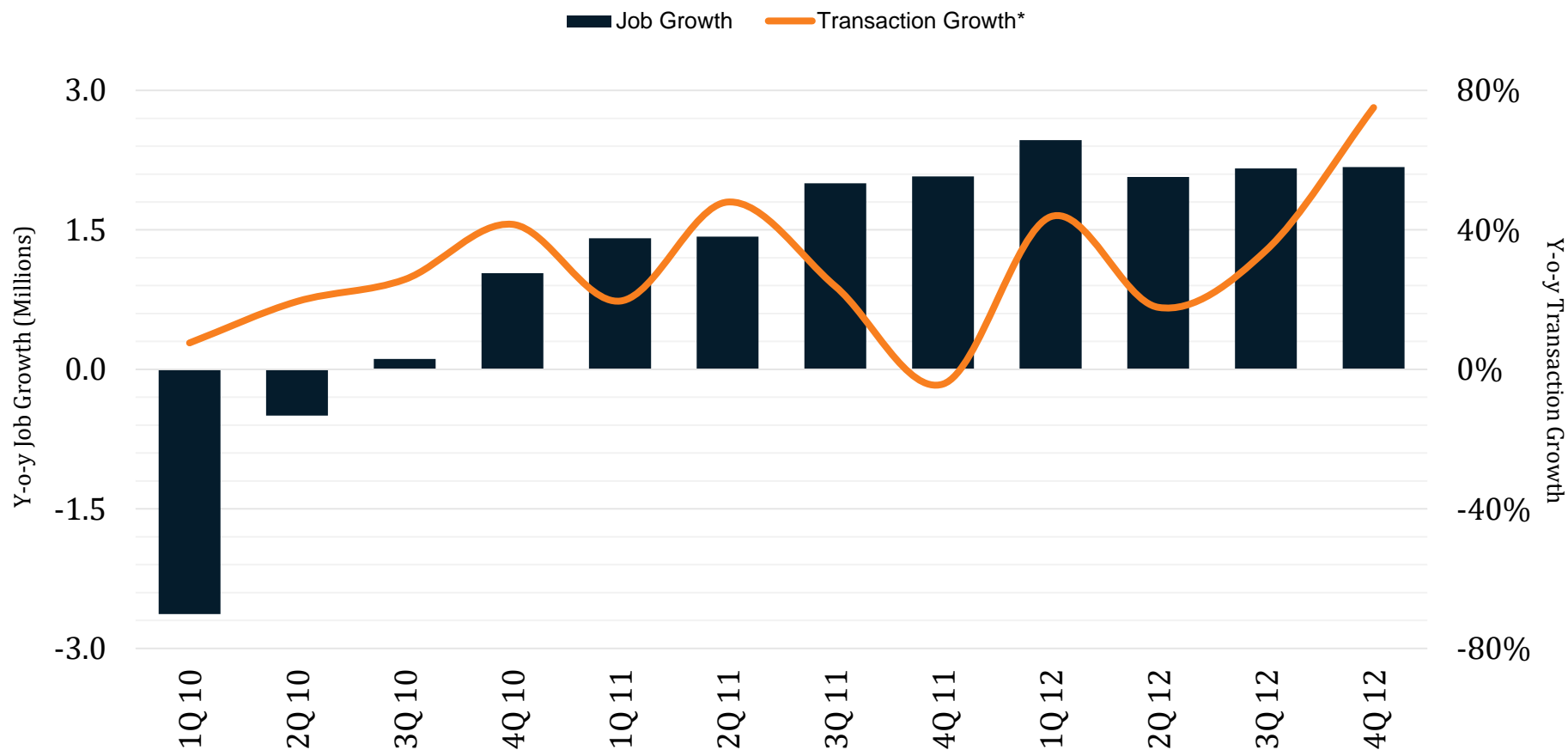
# RECORD EMPLOYMENT GROWTH CYCLE COMES TO AN END

Economic Foundation Leading Up to the Pandemic Was Historically Strong; Economic Shutdown in Response to Health Crisis Created a Major Shock to the Labor Market

*2020 forecast to lose 9.3 million jobs\*\**



# RECOVERY TIMELINE DIFFICULT TO FORECAST; HOWEVER POST '08-'09 TRENDS SUGGEST CRE SALES/FINANCING COULD LEAD JOB GROWTH

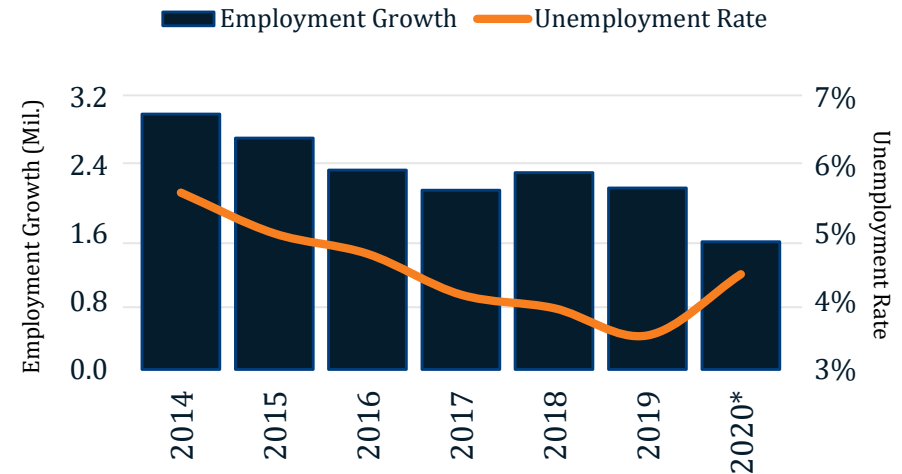


\* Includes apartment, retail, office, and industrial sales \$1 million and greater  
Sources: BLS, CoStar Group, Inc., Real Capital Analytics

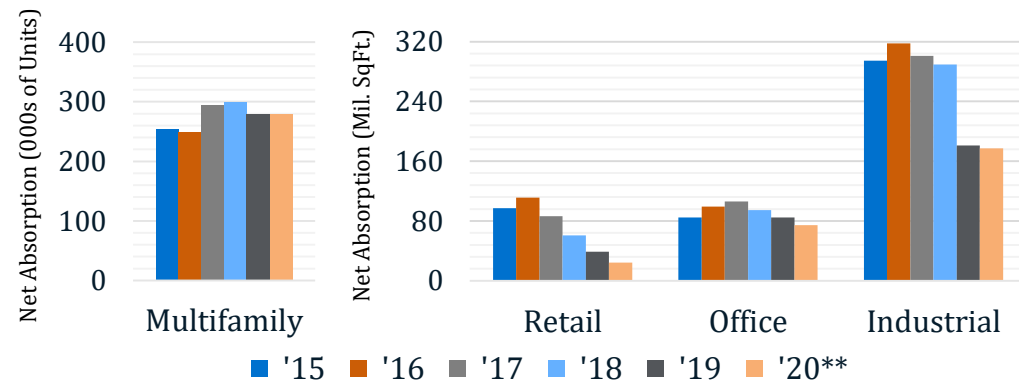
## EMPLOYMENT AND SPACE DEMAND FACE SIGNIFICANT IMPACT

- Labor market strong prior to onset of pandemic, adding 490,000 jobs in first two months of 2020.
- Job loss due to economic shutdown has been severe; government stimulus and gradual economic reopening appear to be slowing the attrition.
- Pent-up demand, unprecedented stimulus should support robust recovery, assuming health crisis is contained; however the timing is difficult to forecast.
- Unemployment rate expected to surge in 2Q; Economic Impact Payments and expanded unemployment benefits through July will help offset impact.
- Space absorption across all real estate sectors essentially stalled due to shelter-in-place restrictions and economic shutdown. Impact of economic shutdown on occupancy levels will take time to assess.

Employment Growth vs. Unemployment Rate



Space Absorption Trends



\* Through 1Q; trailing 12-months through 1Q 2020 for employment growth

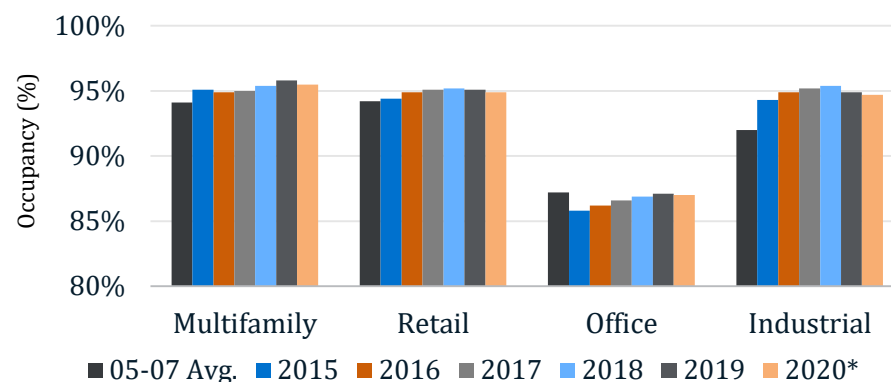
\*\* Preliminary estimate for trailing 12-months through 1Q 2020

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

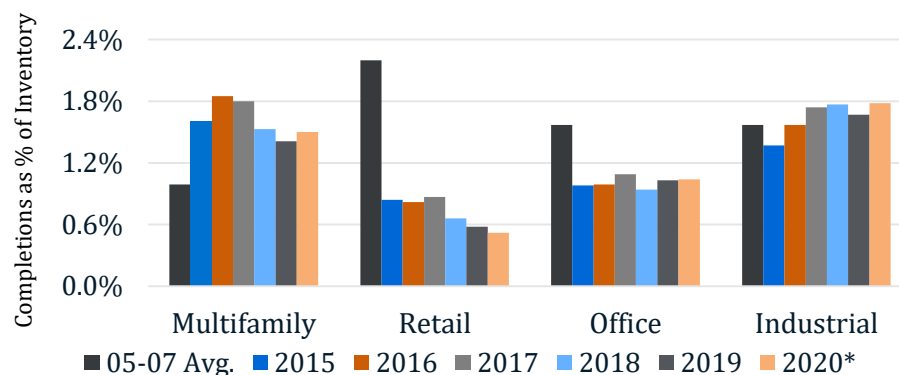
# PROPERTY FUNDAMENTALS UNEXPECTEDLY CHALLENGED TO VARYING DEGREE; EASING CONSTRUCTION A POSITIVE

- Property fundamentals entered economic shutdown in very strong position. Crisis impact varies by property type.
- Necessity-based retail, single-tenant retail, industrial, apartments and self-storage properties faring better so far.
- Hospitality sector significantly impacted.
- Reduced rent collections due to closure of businesses and job losses are decreasing property revenue to varying degree.
- Rent collection data is limited, but non-essential retail facing severe headwinds. Many operators working with tenants on forbearance plans.
- New supply pipeline tapering. Forecast 2020 completions reduced by 10%-40% depending on property type and local construction restrictions.

Occupancy Trends



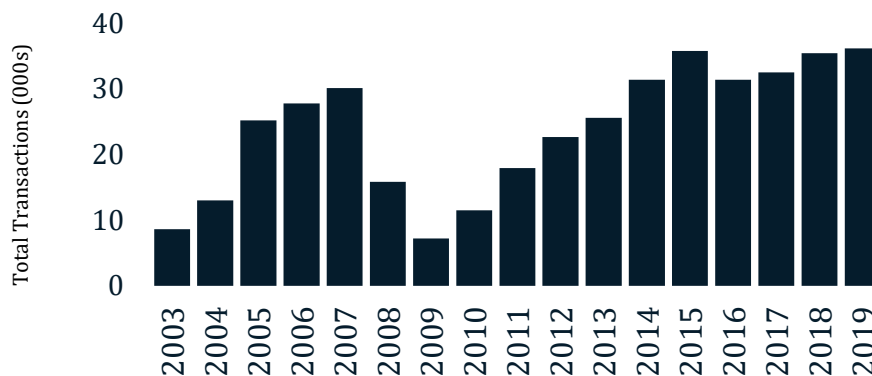
Construction Trends



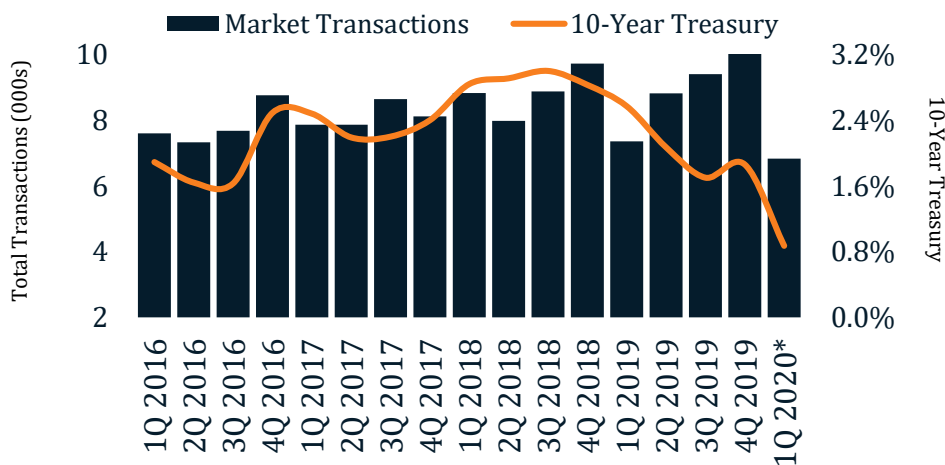
# CRE SALES/FINANCING SIGNIFICANTLY HAMPERED BY MARKET DISRUPTION; ROBUST RECOVERY EXPECTED AS CONDITIONS IMPROVE – TIMELINE DIFFICULT TO FORECAST

- Sales activity started 2020 with positive momentum but dropped significantly in March as shelter-in-place orders took hold.
- Logistical hurdles affecting transaction mechanics including site visits, appraisals and the closing process hampering transactions; should ease gradually as economy re-opens.
- General uncertainty, constrained financing also slowing transactions - investors in a 1031 tax deferred exchange, some local private investors remain active, particularly in the single-tenant net-lease sector.
- Transaction activity in Q1 declined by 7%\* on a year-over-year basis.
- Pricing discovery may take time with considerable variance by property type. Recovery in CRE sales and financing could occur well ahead of economic rebound.

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



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



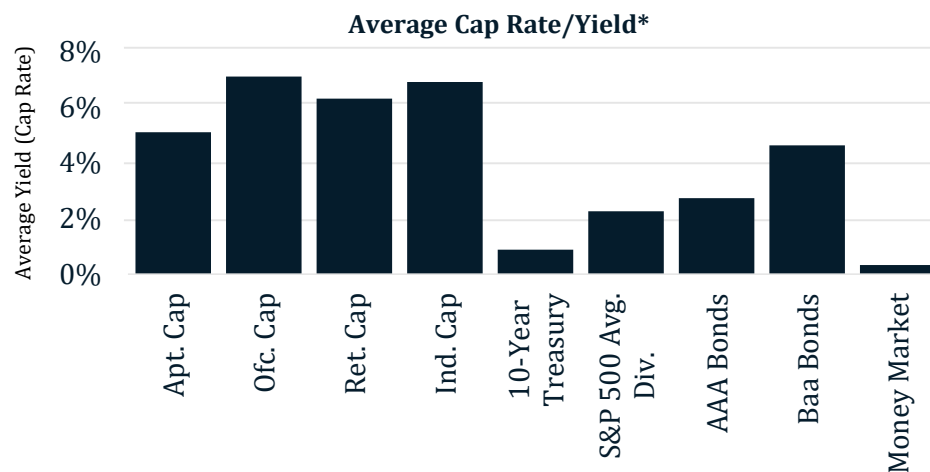
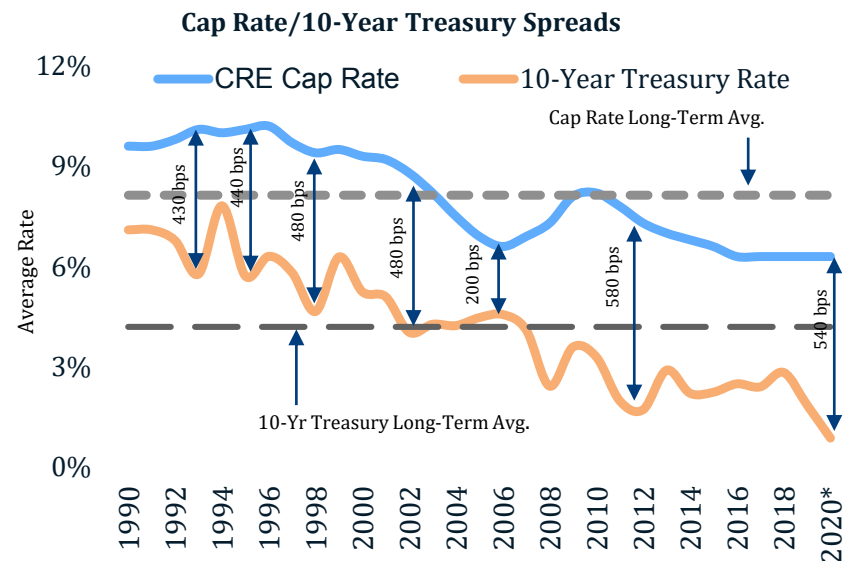
Sources: Real Capital Analytics, Federal Reserve

\* Preliminary estimate for market sales

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

# CRE YIELDS COMPELLING – AMPLE CAPITAL, RESET PRICING EXPECTATIONS SHOULD EVENTUALLY FUEL REBOUND IN SALES/CAPITAL FLOWS ONCE ECONOMIC CLARITY EMERGES, FINANCING AVAILABILITY IMPROVES

- Pricing discovery along with assessment of economic closure on occupancies may take some time; pricing/cap rate adjustment likely to vary significantly by property type.
- The benefits of exceptionally low interest rates have yet to flow through to the market as financing remains constrained and lenders are taking a very cautious stance.
- Sales have slowed while the market recalibrates to the new climate; sales and financing volume could revive ahead of the broader economy. Record capital on the sidelines and the potential for more owners needing to sell or recapitalize likely to increase volumes once clarity emerges.
- Commercial real estate yields expected to remain compelling and competitive as an alternative investment.



\* As of 1Q 2020  
 Cap rates for sales \$1 million and greater  
 Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Standard & Poor's



# MMI MARKET POSITION

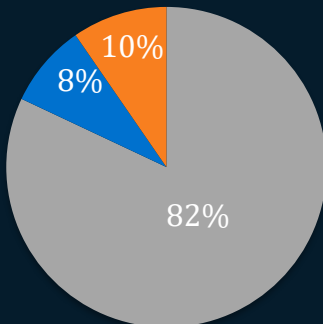
# PRIVATE CLIENT MARKET SEGMENT

## Largest Sales and Commission Pool Opportunity

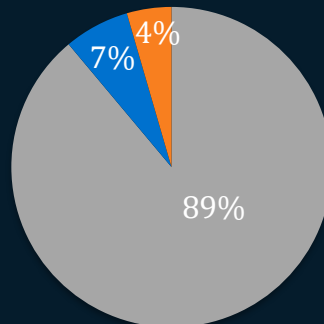
- Market segment consists of sales \$1 million - \$10 million.
- Largest and most active market segment, accounting for 80%+ of transactions.
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers.
- Influenced by personal drivers that result in buying/selling/refinancing properties, as well as market conditions. This should be a major factor in increased sales activity once current market constraints begin to ease.
- Market segment features the highest commission rates.

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

Commercial Real Estate Market

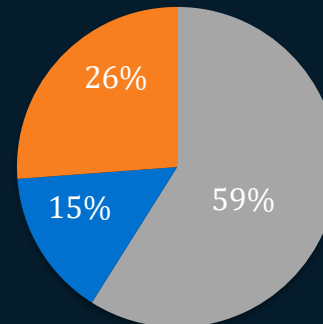


Marcus & Millichap

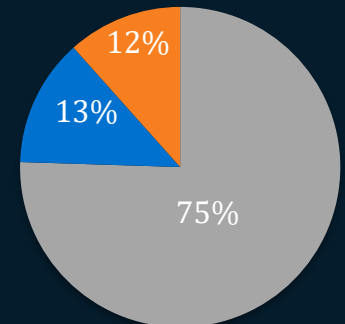


Commission Pool by Investor Segment <sup>(1) (2)</sup>

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 1Q 2020; 1Q preliminary estimate for market total.

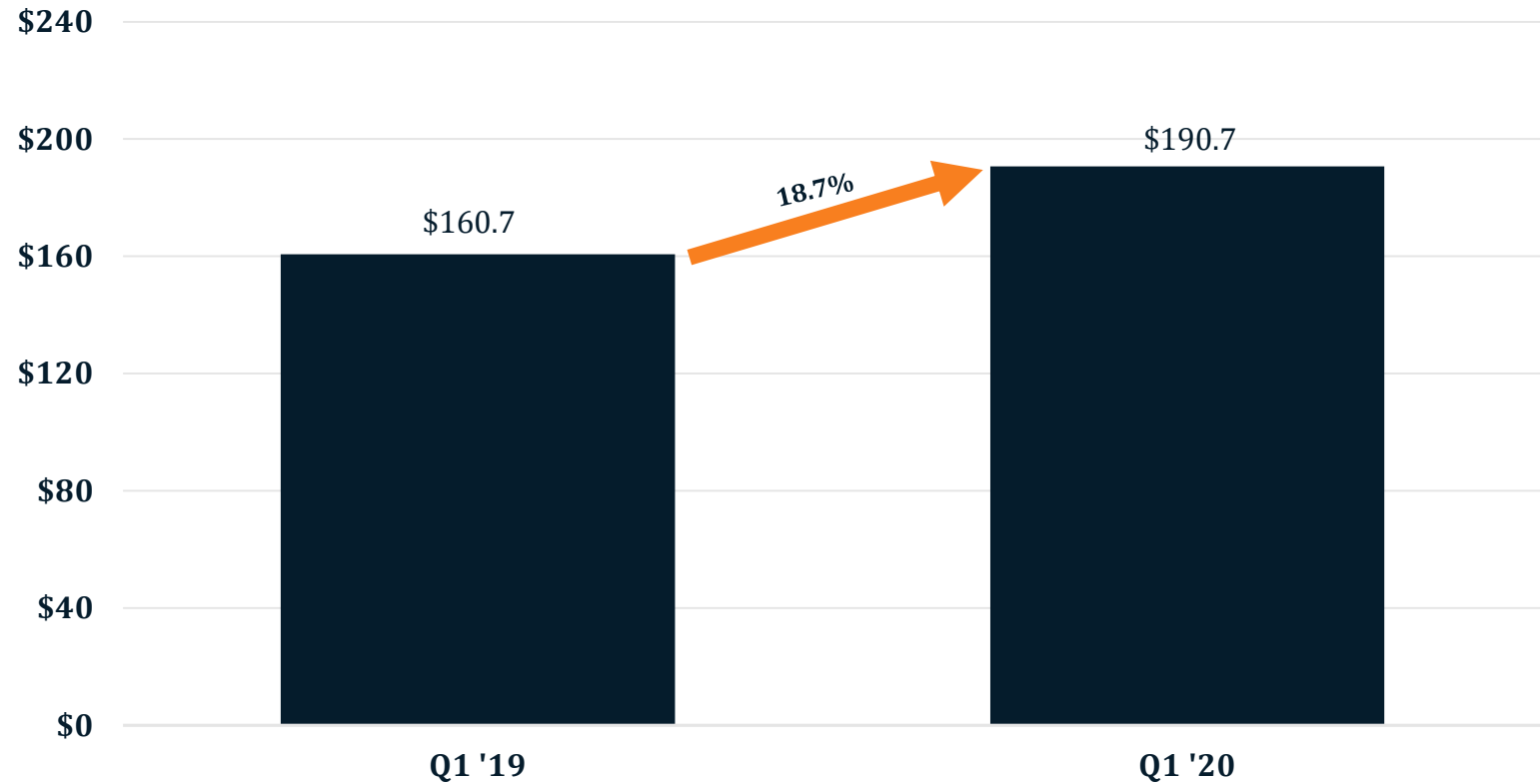
(2) Estimate based on industry averages: 3.7% commission rate for Private Client Market segment, 2.0% rate for Middle Market Segment and 0.8% for Larger Transaction Market segment.

# MMI FINANCIAL DETAILS

# TOTAL REVENUES

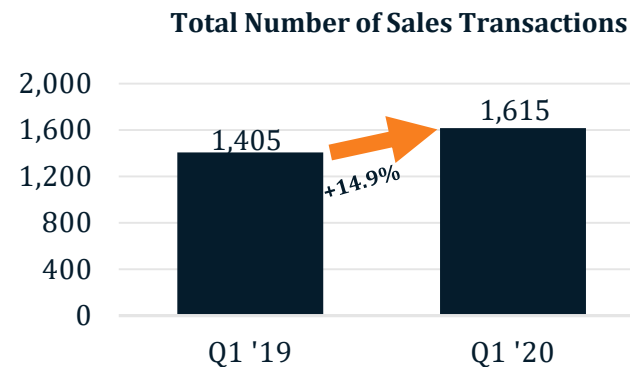
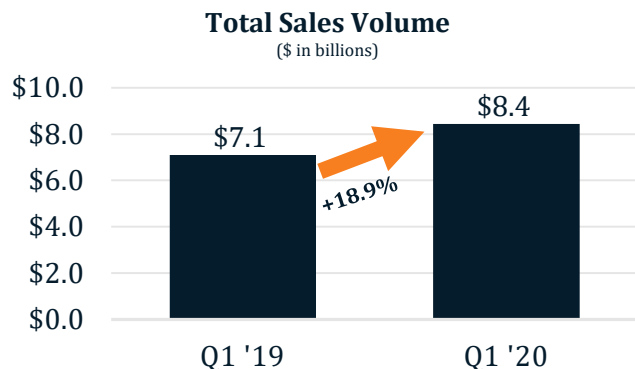
(\$ in millions)

Q1 2019 vs. Q1 2020

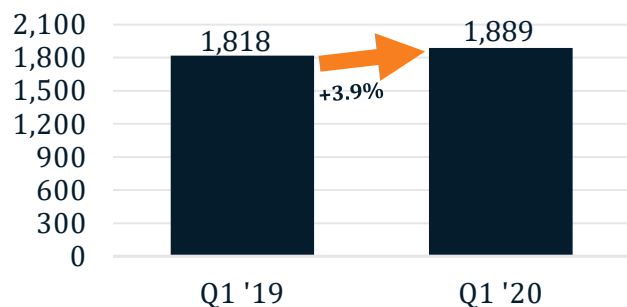


# BROKERAGE OPERATING METRICS

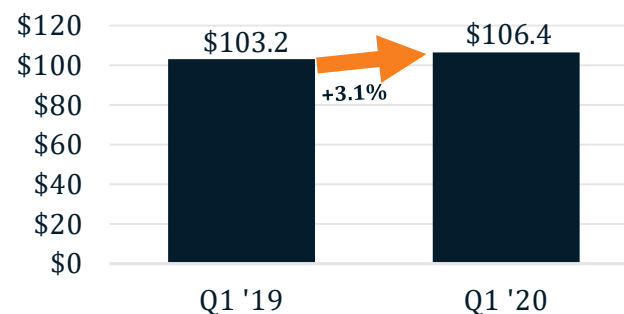
Q1 2020



**Average Number of Investment Sales Professionals**

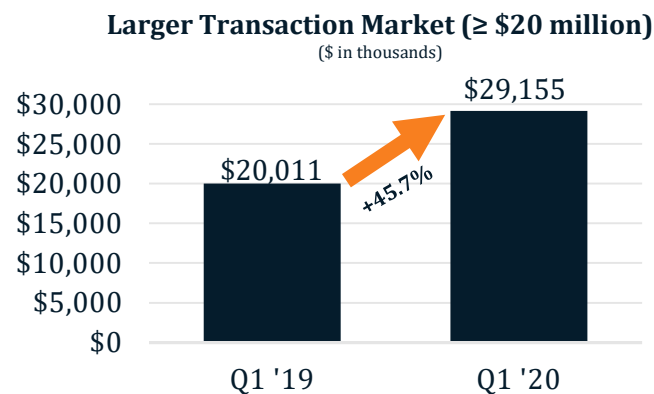
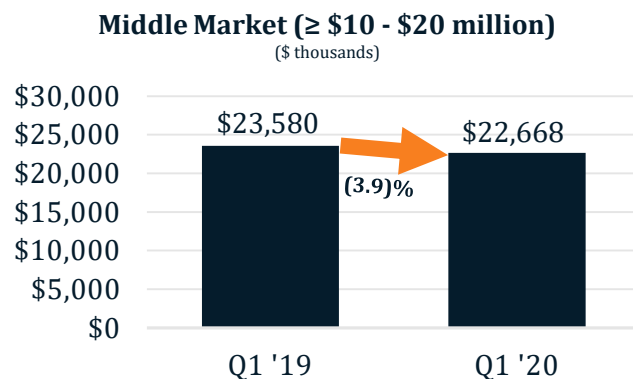
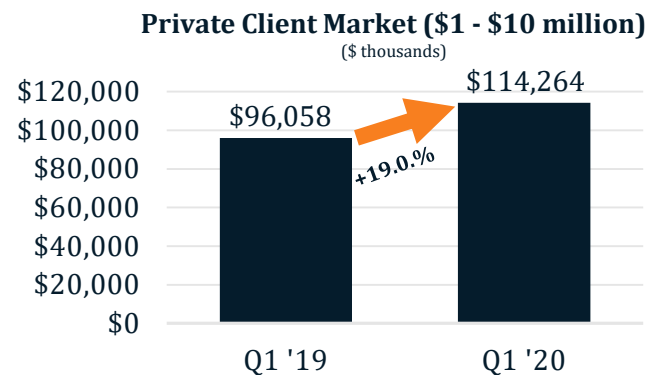
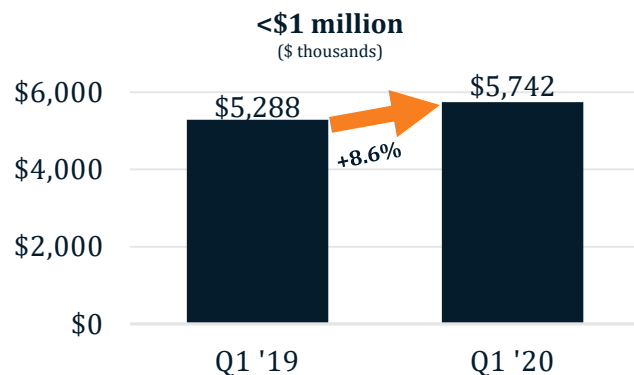


**Average Commission Per Transaction**  
(\$ in thousands)



# BROKERAGE REVENUE BY MARKET SEGMENT

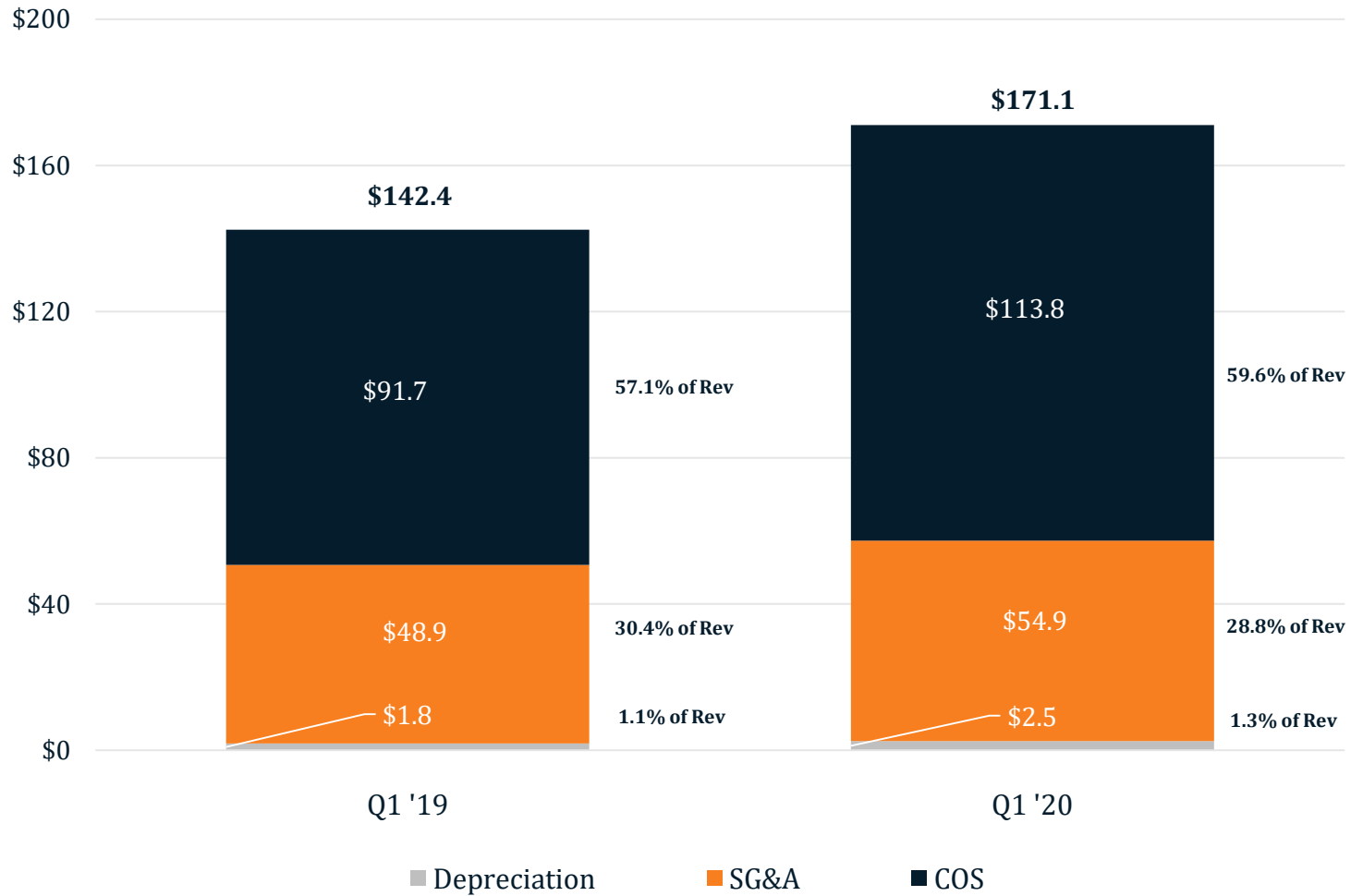
Q1 2020



# OPERATING EXPENSES

(\$ in millions)

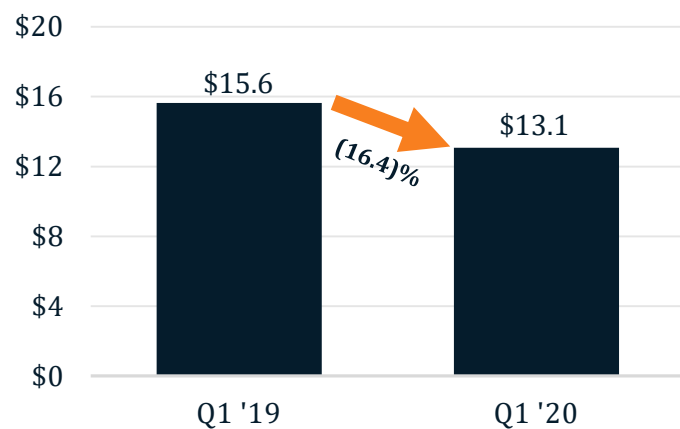
Q1 2019 vs. Q1 2020



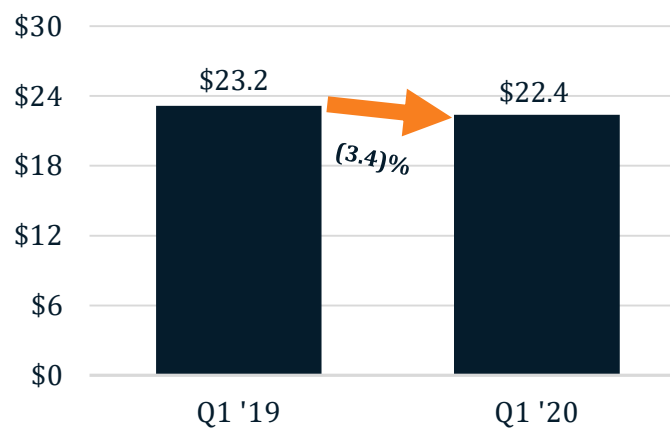
# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q1 2020

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

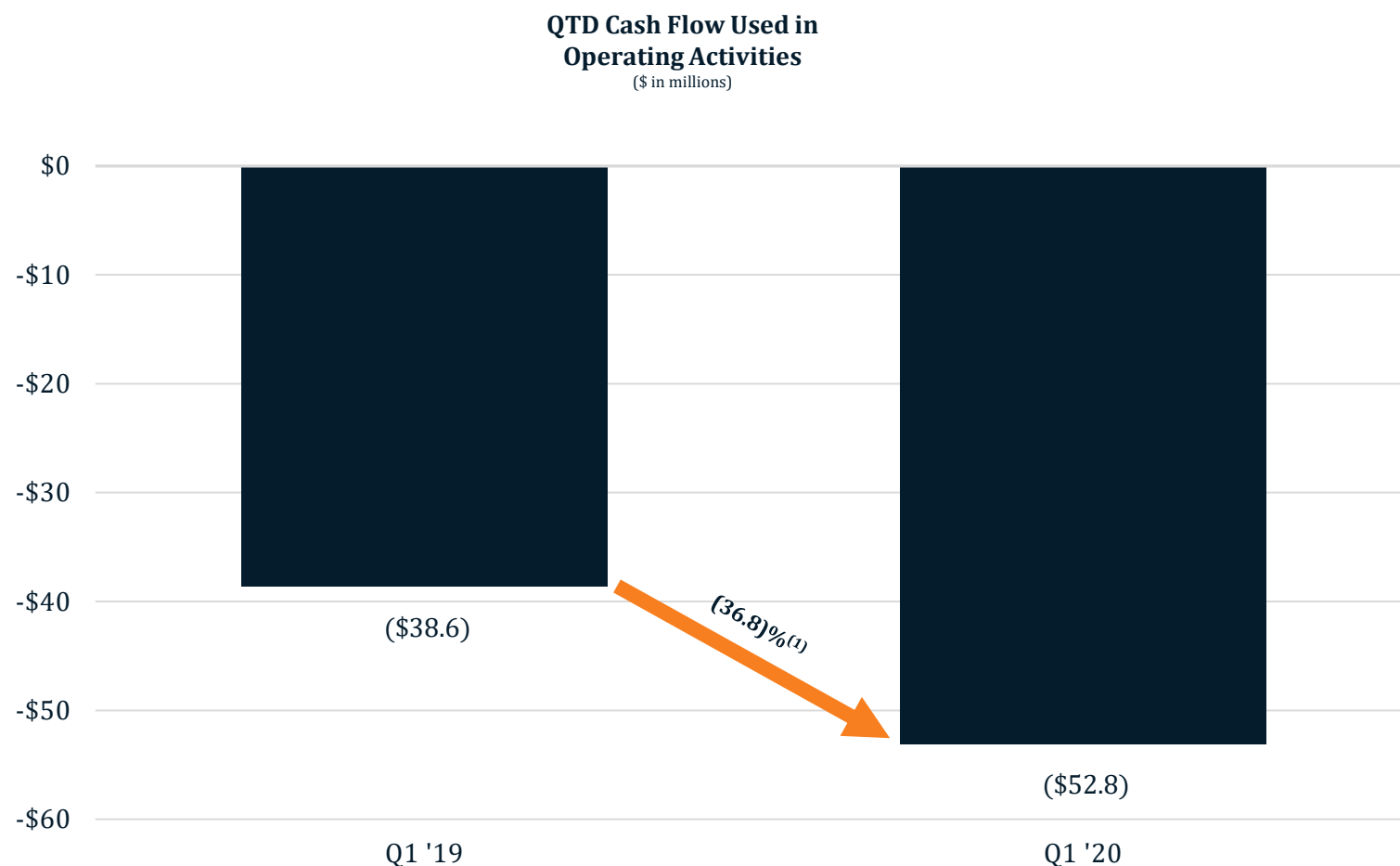


**Adjusted EBITDA**  
(\$ in millions)



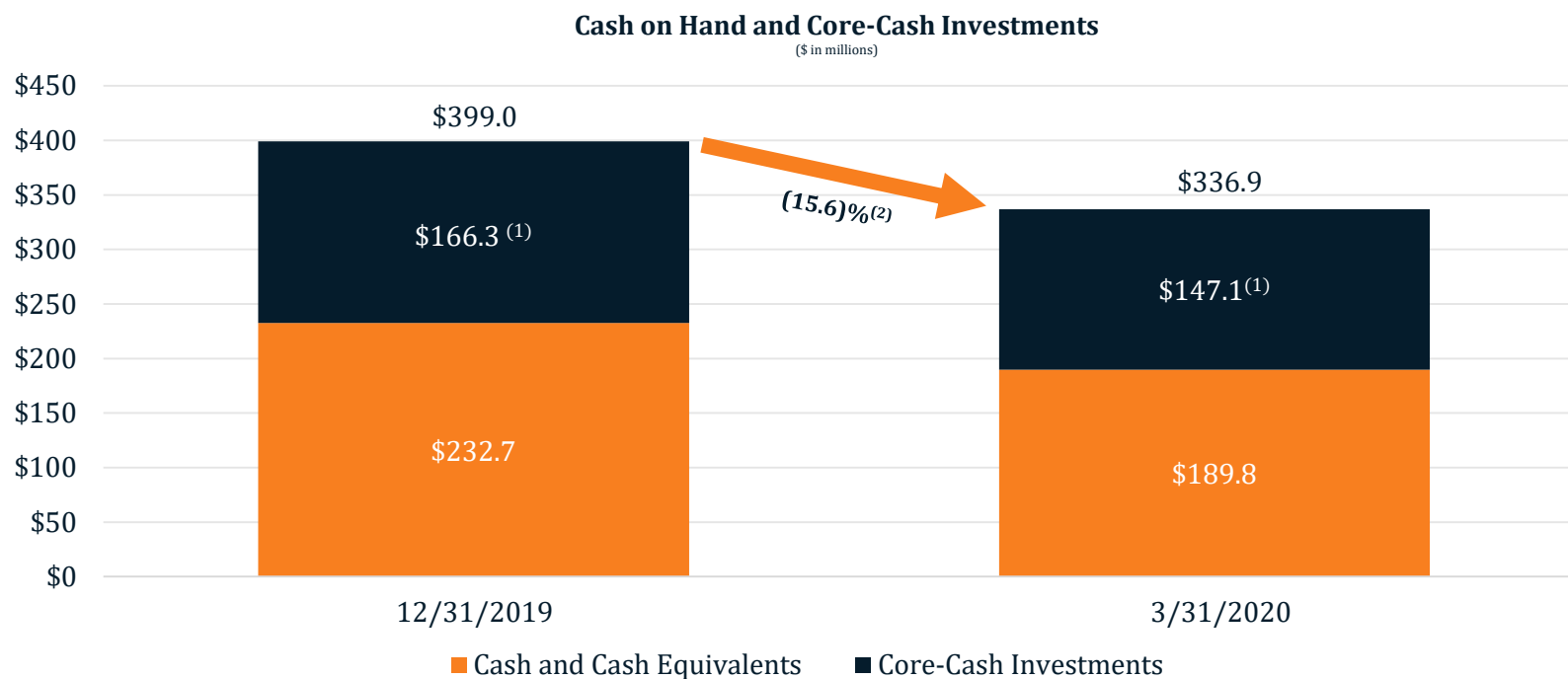


# CASH FLOW USED IN OPERATING ACTIVITIES



(1) Net cash used in operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The \$14.2 million increased usage in operating cash flows for the three months ended March 31, 2020 compared to the same period in 2019 was primarily due to 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, a reduction in bonus accruals and a reduction in the deferral of certain discretionary commissions. We traditionally experience net cash used in operating activities during the three-month periods ended March 31, since bonuses and certain deferred commissions related to the prior year(s) are typically paid during the first quarter of the new year.

# 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 0.44 years and 0.52 years for the periods ended 3/31/20 and 12/31/19, respectively.

(2) Cash on hand & core-cash investments decreased for the period ended 3/31/20 primarily due to advances to our investment sales and financing professionals, seasonal, yearly payments of bonuses and deferred compensation and payments for acquisitions during the first quarter.

# 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 debt 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 right 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 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.

	Three Months Ended March 31	
	2020	2019
<b>Net Income</b>	\$13,070	\$15,638
<b>Adjustments:</b>		
<b>Interest income and other<sup>(1)</sup></b>	(2,003)	(2,541)
<b>Interest expense</b>	283	349
<b>Provision for income taxes</b>	5,917	5,657
<b>Depreciation and amortization</b>	2,464	1,832
<b>Stock-based compensation</b>	2,632	2,341
<b>Non-cash MSR Activity<sup>(2)</sup></b>	15	(117)
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>\$22,378</b>	<b>\$23,159</b>

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

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

(3) The decrease in Adjusted EBITDA for the three months ended March 31, 2020 compared to the same period in 2019 is primarily due to a higher proportion of operating expenses compared to total revenues.

# COMPANY OVERVIEW

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

- 49-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

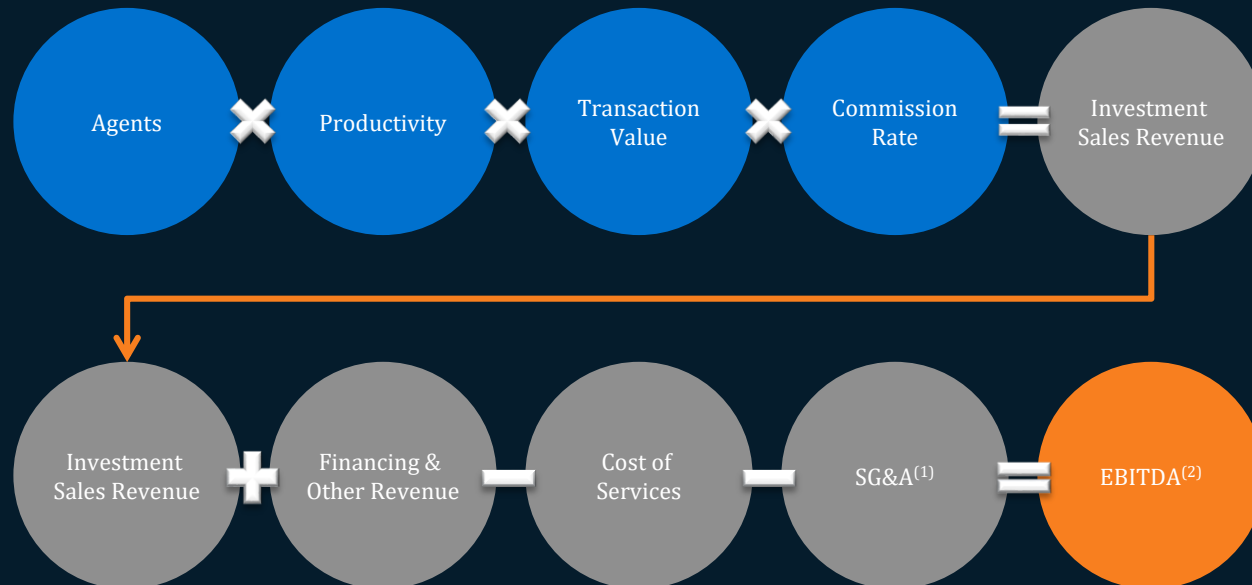
## **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- 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