

SECOND QUARTER 2020  
EARNINGS CONFERENCE CALL

AUGUST 6, 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 continuing 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 and Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2020.

## CONFERENCE CALL PARTICIPANTS



HESSAM NADJI

President, Chief Executive Officer and Director



MARTY LOUIE

Chief Financial Officer

# MMI FINANCIAL HIGHLIGHTS

# 2020 SECOND QUARTER HIGHLIGHTS

Financial Highlights		YOY
<b>Revenue</b>	\$117.4 million	(44.0)%
<b>Net Income</b>	\$106,000	(99.5)%
<b>Adjusted EBITDA</b>	\$4.2 million	(87.0)%

Operational Highlights		YOY
<b>Sales Volume</b>	\$6.9 billion	(46.5)%
<b>Transaction Closings</b>	1,587	(37.4)%
<b>Number of Investment Sales and Financing Professionals as of June 30, 2020</b>	2,048	4.2%

# YEAR-TO-DATE 2020 HIGHLIGHTS

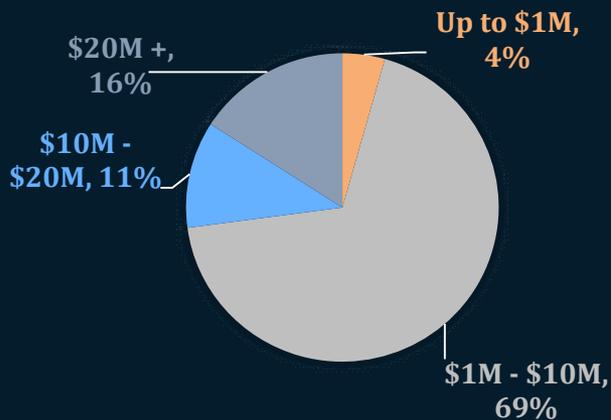
Financial Highlights		YOY
<b>Revenue</b>	\$308.1 million	(16.8)%
<b>Net Income</b>	\$13.2 million	(64.3)%
<b>Adjusted EBITDA</b>	\$26.5 million	(51.9)%

Operational Highlights		YOY
<b>Sales Volume</b>	\$18.7 billion	(18.0)%
<b>Transaction Closings</b>	3,837	(14.4)%
<b>Number of Investment Sales and Financing Professionals as of June 30, 2020</b>	2,048	4.2%

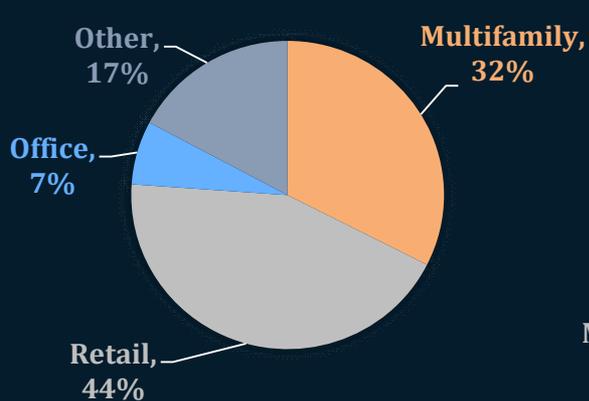
# 2020 SECOND QUARTER BROKERAGE HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$5.4 billion	(41.3)%
<b>Transaction Closings</b>	1,075	(41.4)%
<b>Number of Investment Sales Professionals as of June 30, 2020</b>	1,963	5.4%
<b>Real Estate Brokerage Commissions Revenue</b>	\$103.4 million	(45.2)%

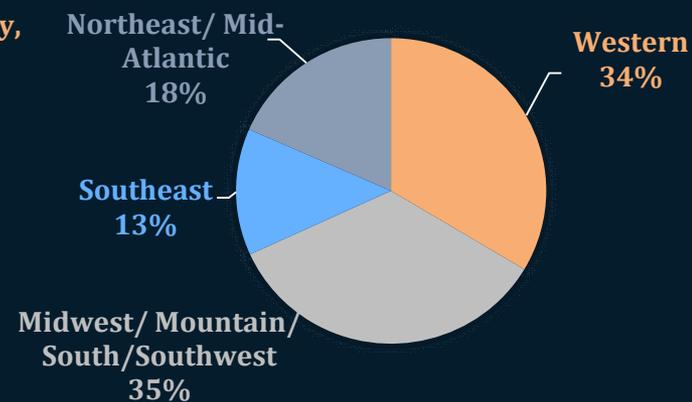
**Revenue by Transaction Size**



**Transactions by Property Type**



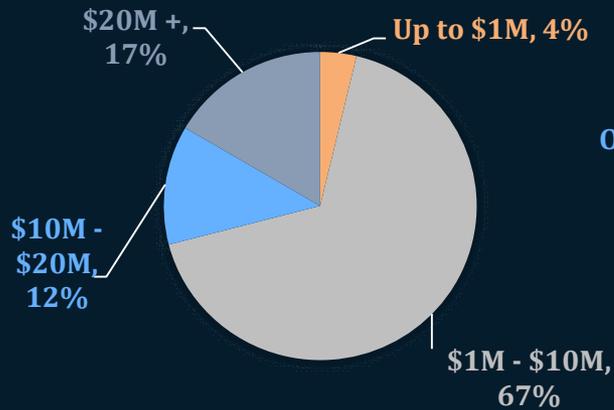
**Transactions by Region**



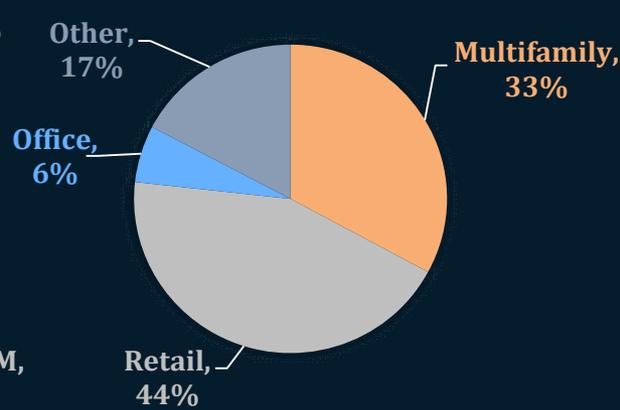
# YEAR-TO-DATE 2020 BROKERAGE HIGHLIGHTS

		YOY
Sales Volume	\$13.9 billion	(15.1)%
Transaction Closings	2,690	(16.9)%
Number of Investment Sales Professionals as of June 30, 2020	1,963	5.4%
Real Estate Brokerage Commissions Revenue	\$275.2 million	(17.5)%

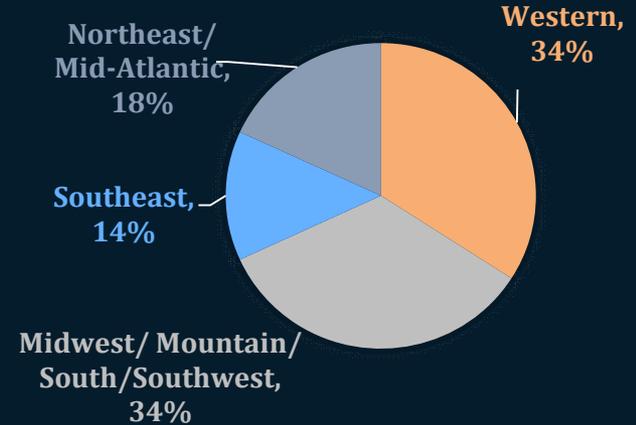
Revenue by Transaction Size



Transactions by Property Type



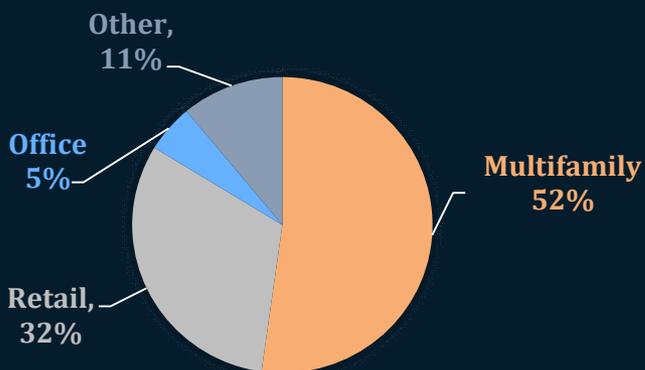
Transactions by Region



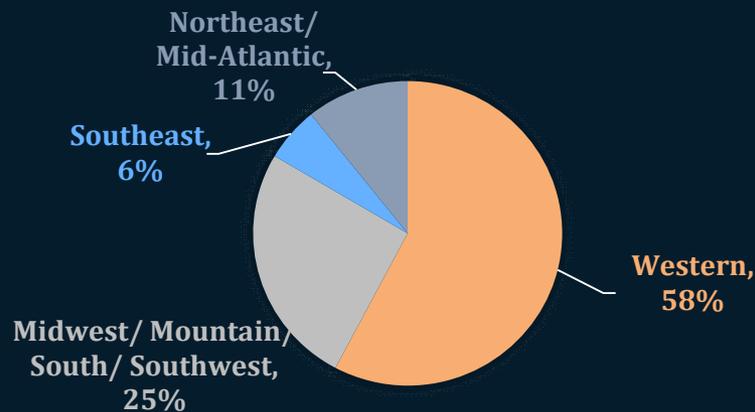
# 2020 SECOND QUARTER FINANCING HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$1.2 billion	(38.3)%
<b>Transaction Closings</b>	381	(21.3)%
<b>Number of Financing Professionals as of June 30, 2020</b>	85	(17.5)%
<b>Financing Fees Revenue</b>	\$12.7 million	(28.4)%

**Transactions by Property Type**

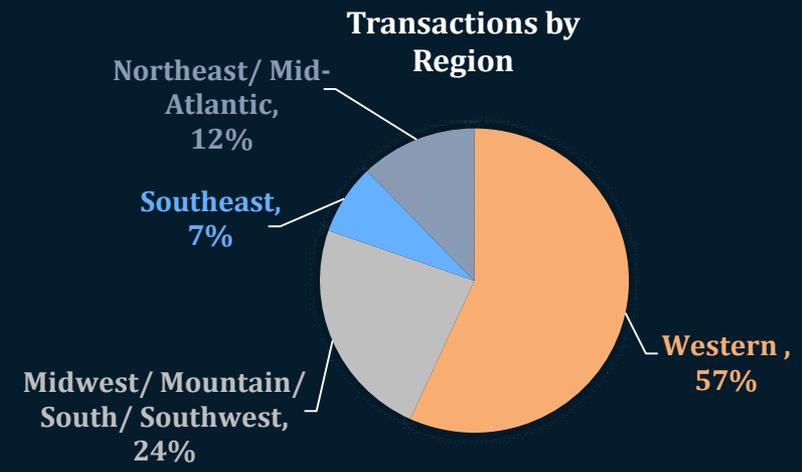
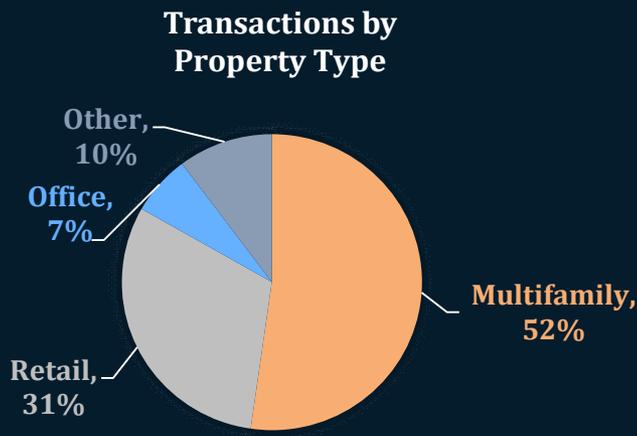


**Transactions by Region**



# YEAR-TO-DATE 2020 FINANCING HIGHLIGHTS

		YOY
<b>Sales Volume</b>	\$2.9 billion	(12.6)%
<b>Transaction Closings</b>	859	(1.5)%
<b>Number of Financing Professionals as of June 30, 2020</b>	85	(17.5)%
<b>Financing Fees Revenue</b>	\$28.1 million	(10.9)%



# COVID-19 Update

# HEALTH CRISIS RESPONSE PLAN

## 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**
- **Continue strategic hiring of experienced brokers and acquisitions**

## Business Continuity

- **Full virtual operations effective March 15, 2020**
- **Pivot workflow and diligence activities to tech platform, initiate virtual meetings, property tours, client presentations, etc.**
- **Continuous virtual operations leveraging technology investments**
- **Executing plans for optional access to offices safely**

## COVID-19 Actions

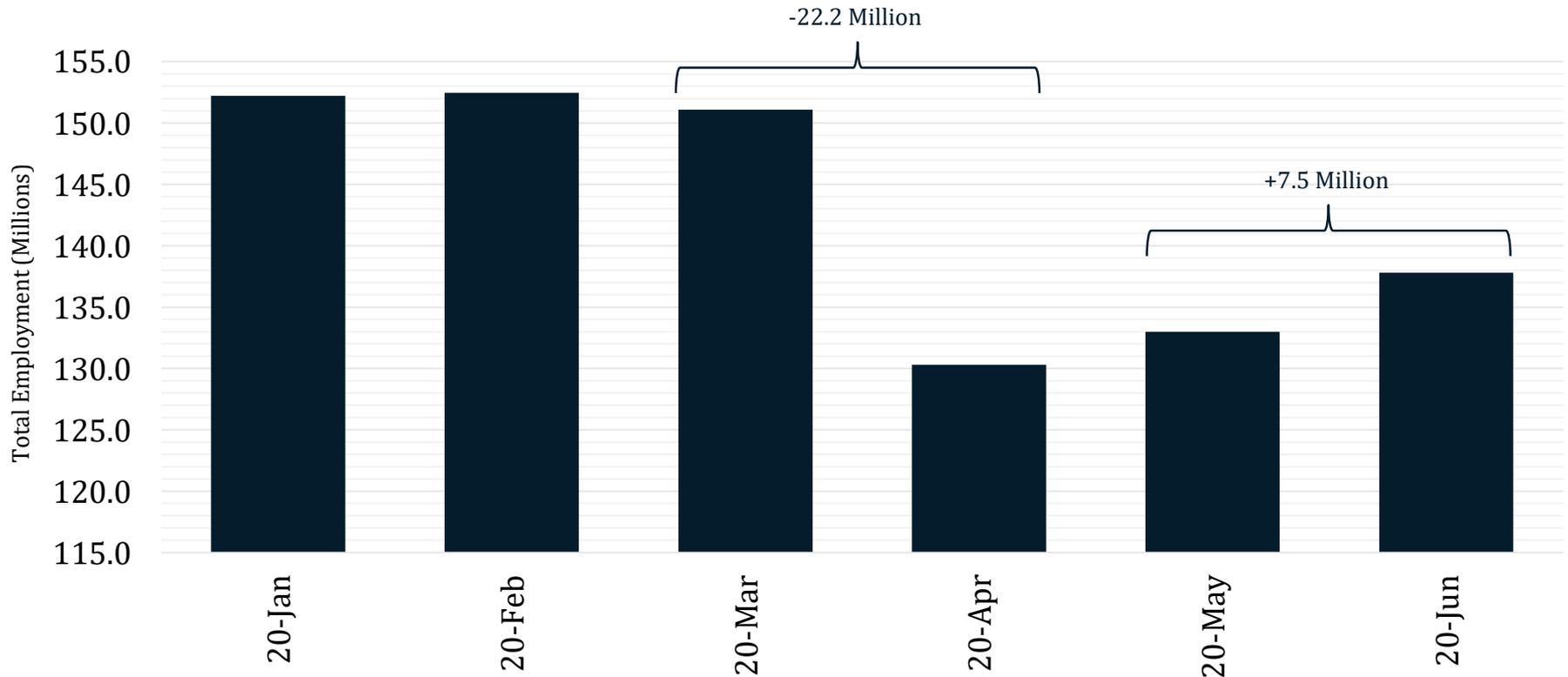
- **Elevate investor webinars (20 held in Q2) on market conditions**
- **Provide financing alternatives for clients**
- **Increase prospecting to kick-start post COVID-19 pipeline**
- **Executing offensive initiatives for a better, more efficient, stronger company to emerge from the recovery**

# MARKET HIGHLIGHTS

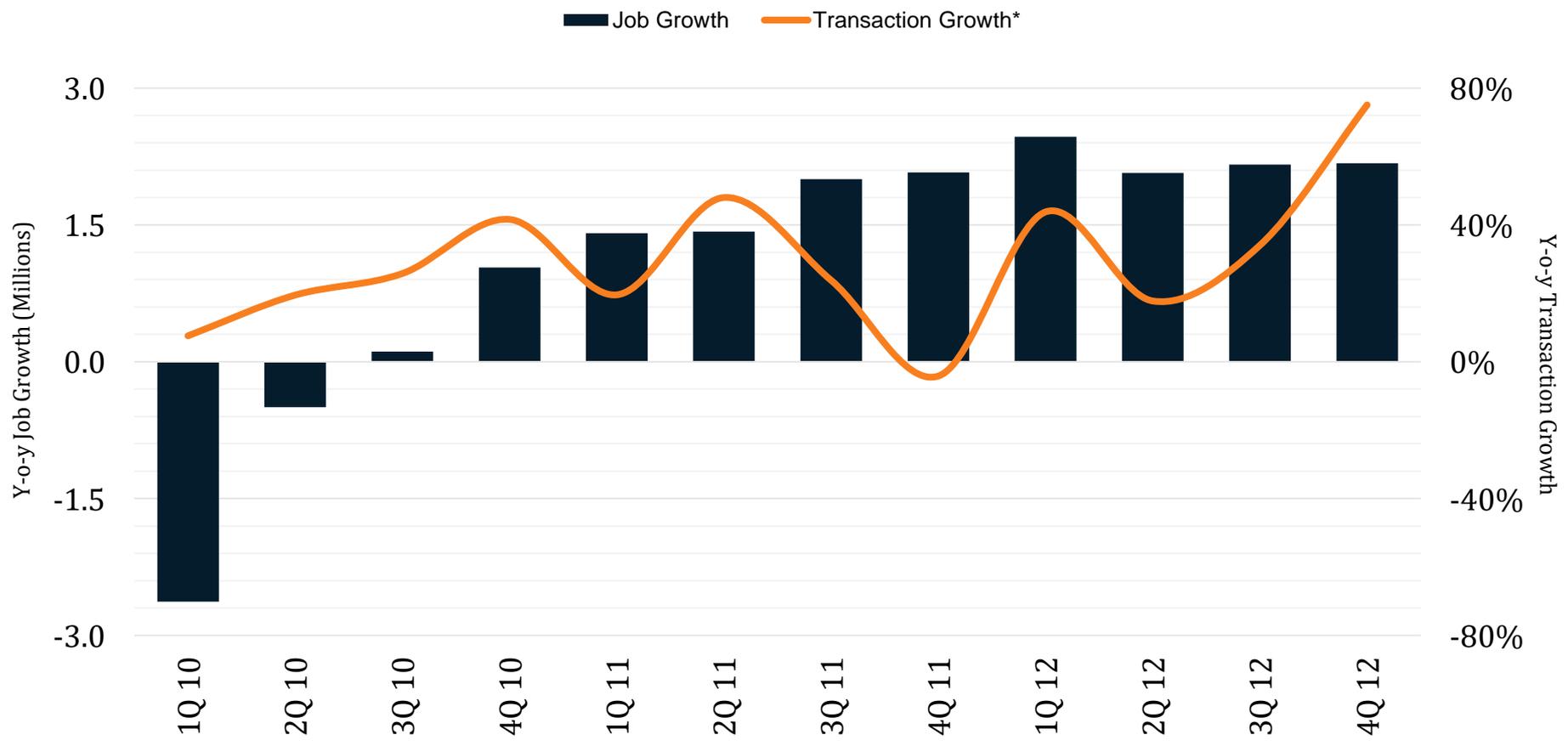
# RECORD EMPLOYMENT GROWTH CYCLE COMES TO AN END

Economic Foundation Leading Up to the Pandemic Was Historically Strong; Economic Shutdown in Response to Health Crisis Dealt Unprecedented Blow to the Labor Market

*2020 forecast to lose 11.1 million jobs\**



# RECOVERY TIMEFRAME UNCERTAIN – BOUNCE BACK FROM '08-'09 SUGGESTS CRE SALES/FINANCING COULD LEAD SUSTAINABLE HIRING

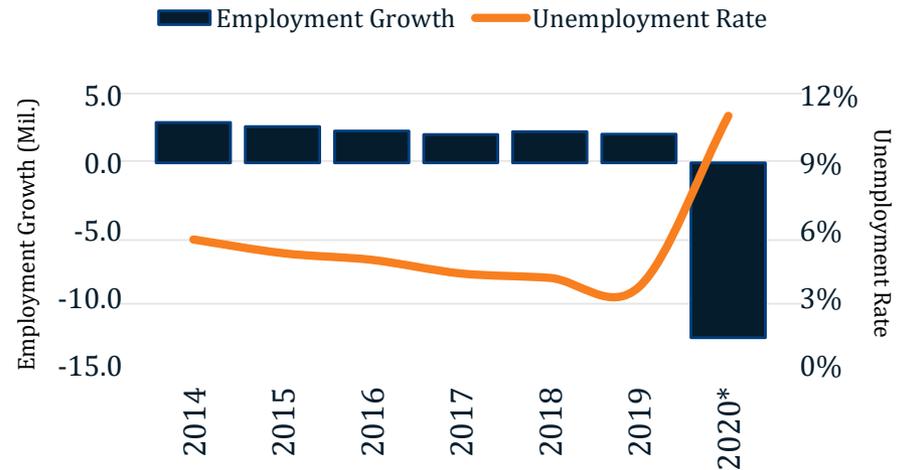


\* Includes apartment, retail, office, and industrial sales \$1 million and greater  
 Sources: BLS, CoStar Group, Inc., Real Capital Analytics

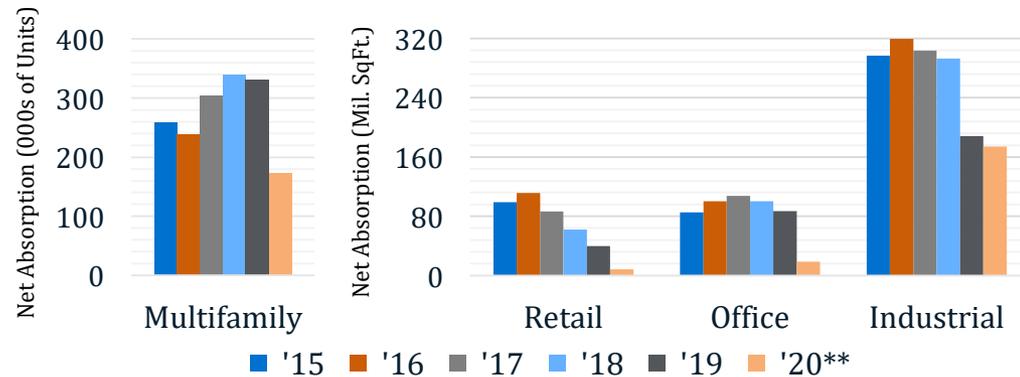
# EMPLOYMENT AND SPACE DEMAND FACE SIGNIFICANT IMPACT

- Employment market was particularly strong prior to onset of pandemic, adding 490,000 jobs in first two months of 2020.
- Job losses due to economic shutdown have been severe; government stimulus and gradual reopening have partially offset the economic loss. Outlook remains choppy and dependent on medical solutions.
- Rise in COVID-19 infections hampering recovery; pent-up demand, unprecedented stimulus should eventually support new expansion cycle.
- Unemployment partially recovered, but outlook largely hinges on additional Federal stimulus.
- Space absorption varies by product type 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 2Q; trailing 12-months through 2Q 2020 for employment growth

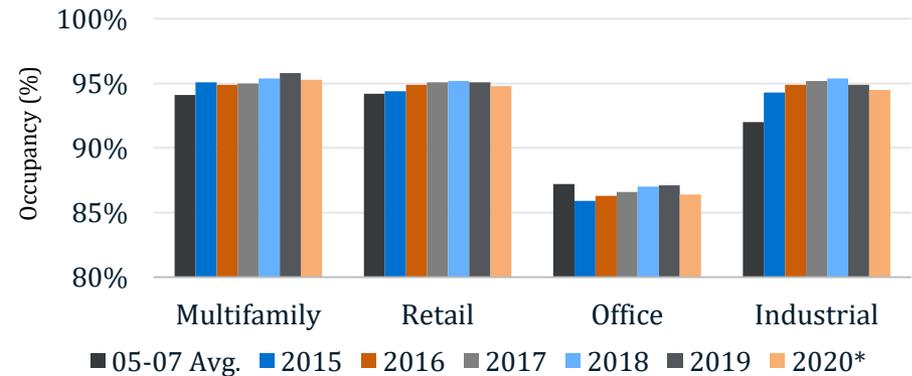
\*\* Preliminary estimate for trailing 12-months through 2Q 2020

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

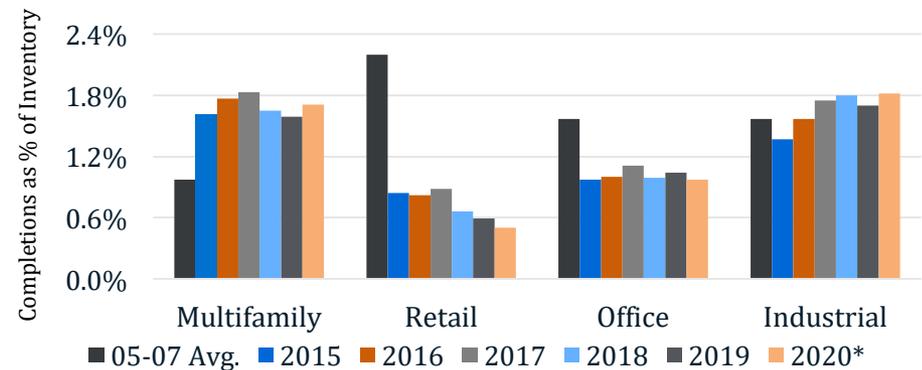
# PROPERTY FUNDAMENTALS CHALLENGED BUT RELATIVELY DURABLE; CONSTRUCTION SLOWDOWN A POSITIVE

- 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 making modest recovery but facing severe headwinds.
- Rent collections generally better than expected, but still decreasing property revenue to varying degrees.
- Rent collection data is limited, but non-essential retail particularly hard-hit. 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



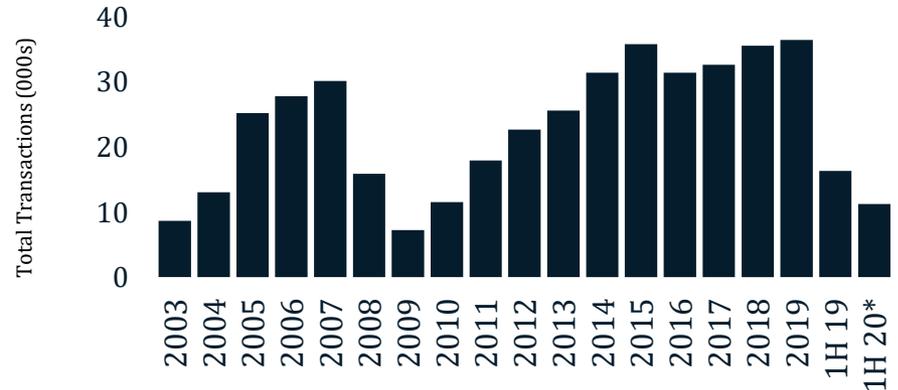
### Construction Trends



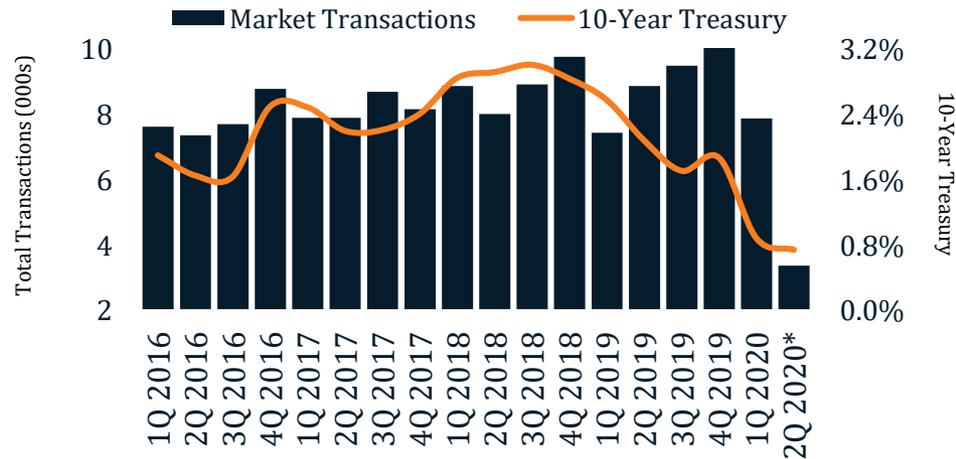
# INVESTMENT SALES FACE STEEP, TEMPORARY DECLINE DUE TO SHELTER-IN-PLACE AND MARKET UNCERTAINTY

- Sales activity started 2020 with positive momentum but began to drop significantly in March as shelter-in-place orders took hold.
- Significant logistical hurdles affecting numerous transaction mechanics including site visits, appraisals and the closing process continue to hamper transaction flow.
- Uncertainty has restrained sales velocity, but many private investors remain active, particularly in the single-tenant net-lease, industrial, and affordable housing sectors.
- Transaction activity in Q2 declined by an estimated 60%\* year-over-year.
- Pricing discovery in process; considerable variance by property type. In many cases new provisions to address COVID-19 being added to contracts, allaying many buyer concerns.

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



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



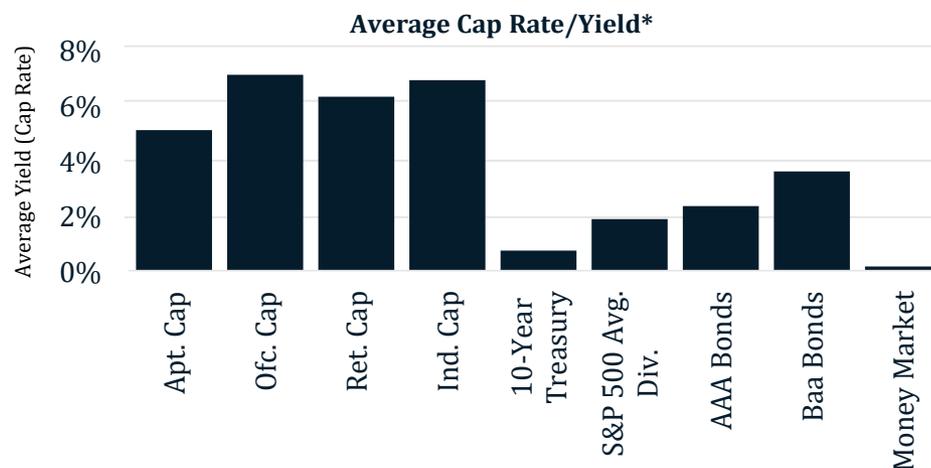
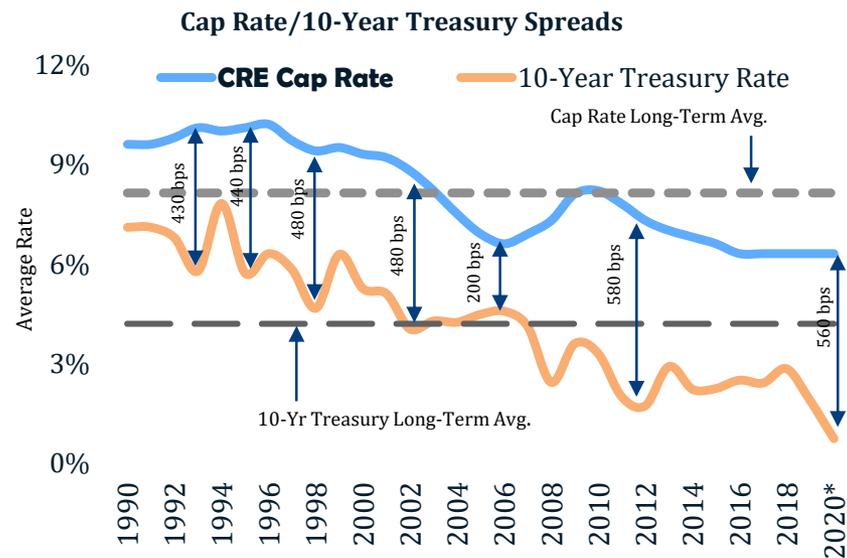
Sources: Real Capital Analytics, Federal Reserve

\* Preliminary estimate for market sales

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

# COMMERCIAL REAL ESTATE YIELDS COMPELLING

- Pricing discovery still in process and cap rate adjustment likely to vary significantly by property type. Bid-ask spread has widened and varies greatly by product type.
- The benefits of exceptionally low interest rates beginning to flow to the market, but lenders remain very cautious.
- Sales have slowed while the market recalibrates to the new climate, but activity could revive ahead of the broader economy. Record capital on the sidelines and the potential for more owners needing to sell or recapitalize assets after the shock could lead to a recovery in transaction activity once clarity begins to emerge.
- Commercial real estate continues to offer compelling yields when compared to other investment options.



\* As of 2Q 2020  
 Cap rates for sales \$1 million and greater  
 Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Standard & Poor's

# MMI MARKET POSITION

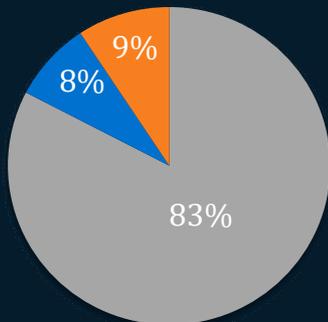
# PRIVATE CLIENT MARKET SEGMENT

## Largest Sales and Commission Pool Opportunity

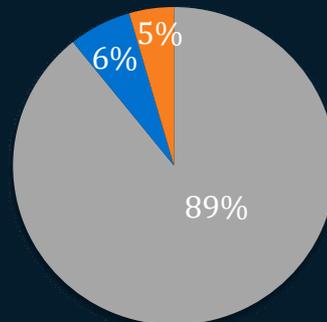
- Market segment consists of sales \$1 million - \$10 million.
- Largest and most active market segment, accounting for 80%+ of transactions.
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers.
- Influenced by personal drivers that result in buying/selling/refinancing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

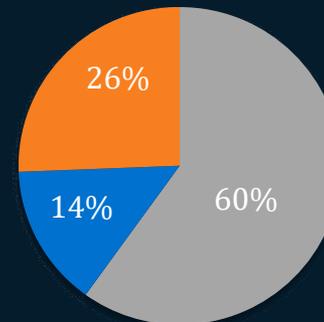


Marcus & Millichap

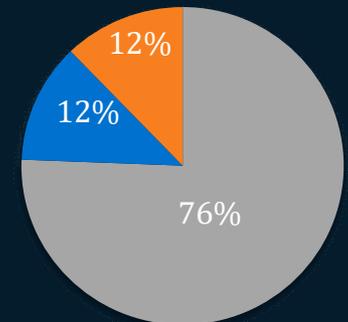


Commission Pool by Investor Segment <sup>(1) (2)</sup>

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 2Q 2020; 2Q 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

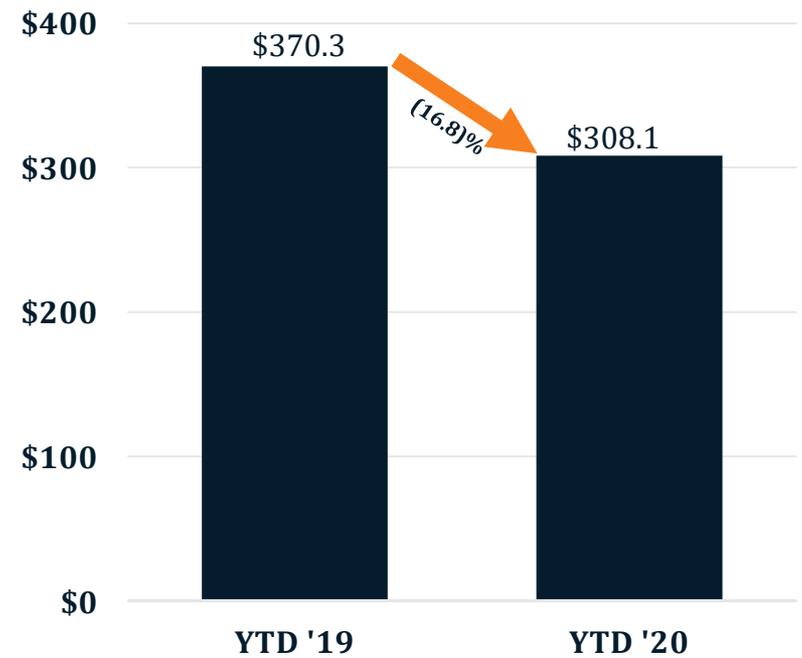
# TOTAL REVENUES

(\$ in millions)

Q2 2019 vs. Q2 2020

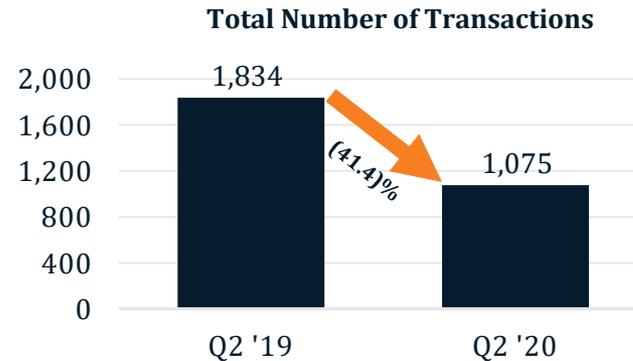
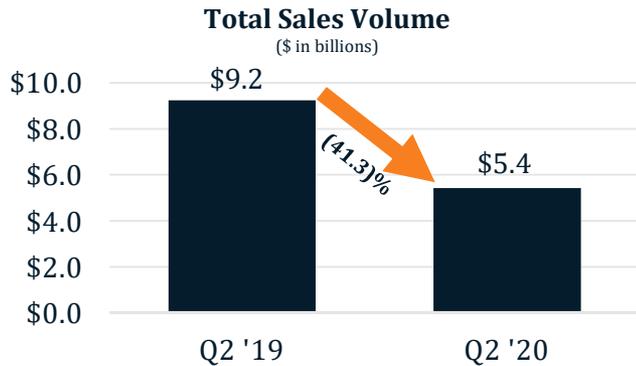


Year-to-Date 2019 vs. 2020

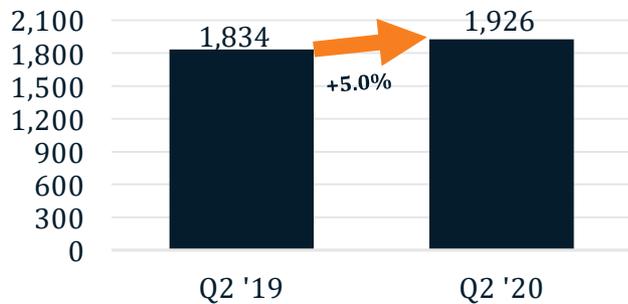


# BROKERAGE OPERATING METRICS

Q2 2020



### Average Number of Investment Sales Professionals

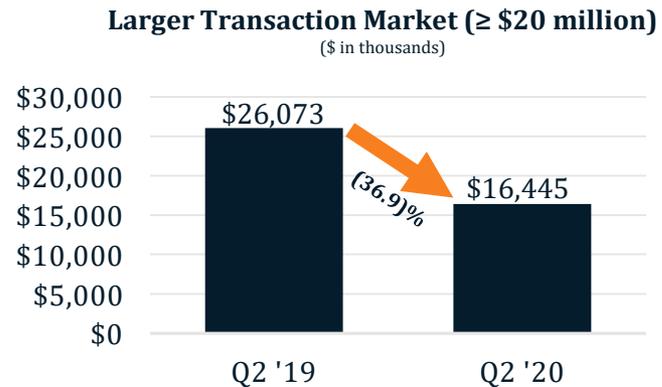
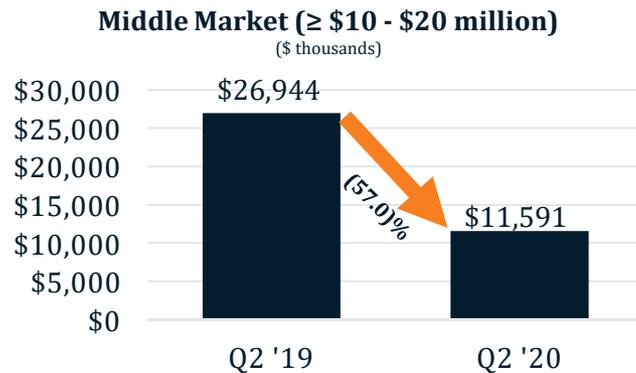
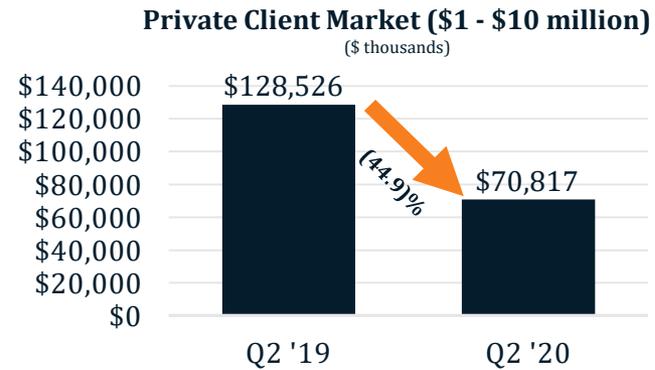
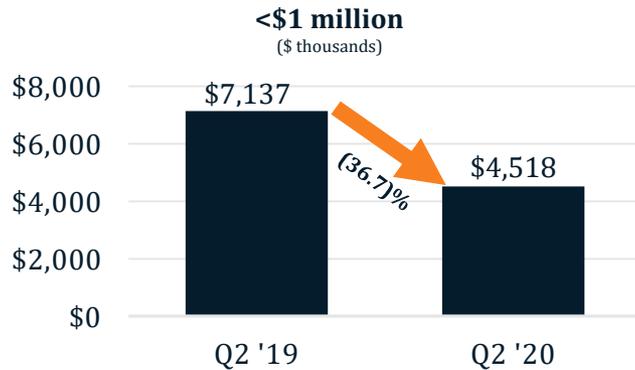


### Average Commission Per Transaction



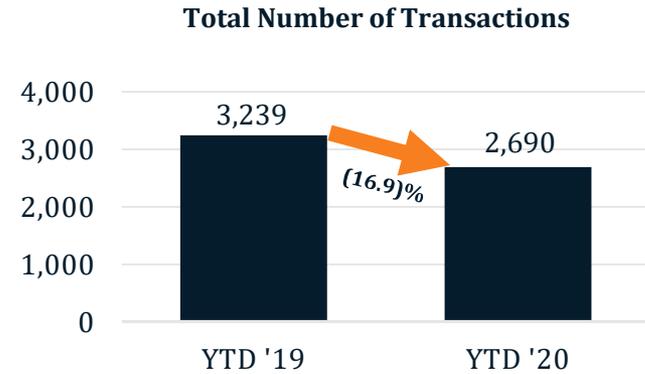
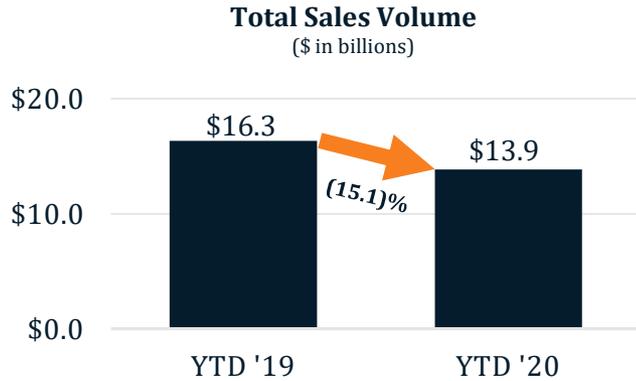
# BROKERAGE REVENUE BY MARKET SEGMENT

Q2 2020



# BROKERAGE OPERATING METRICS

Year-to-Date 2020

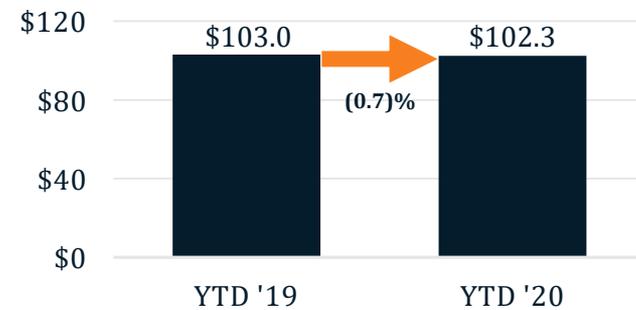


### Average Number of Investment Sales Professionals



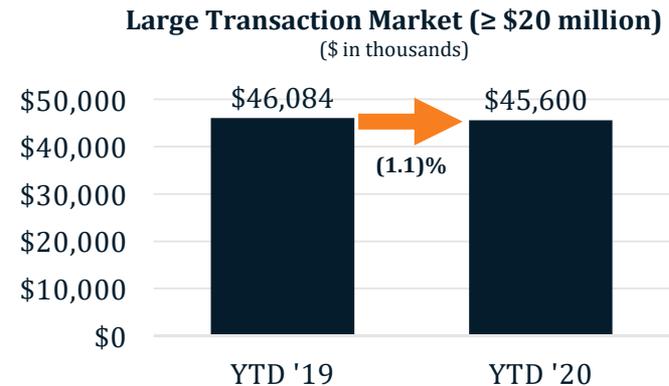
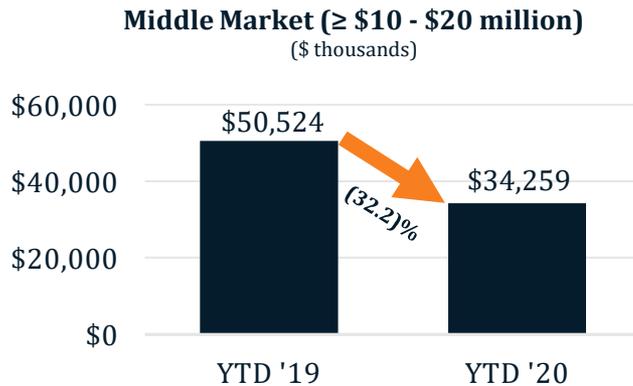
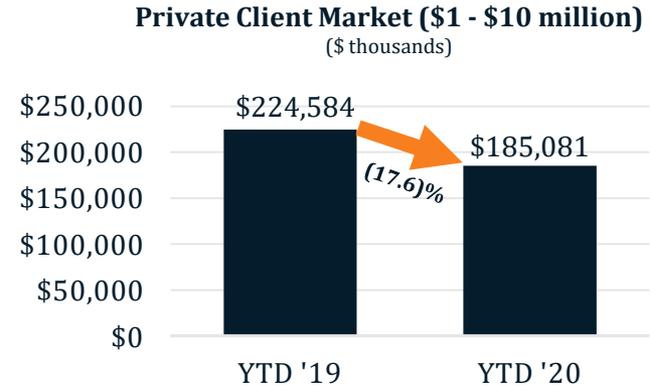
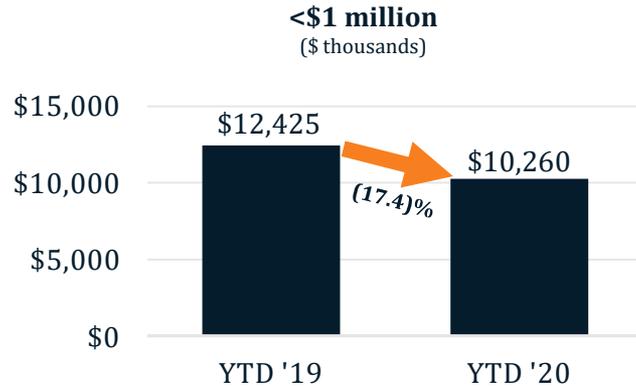
### Average Commission Per Transaction

(\$ in thousands)



# BROKERAGE REVENUE BY MARKET SEGMENT

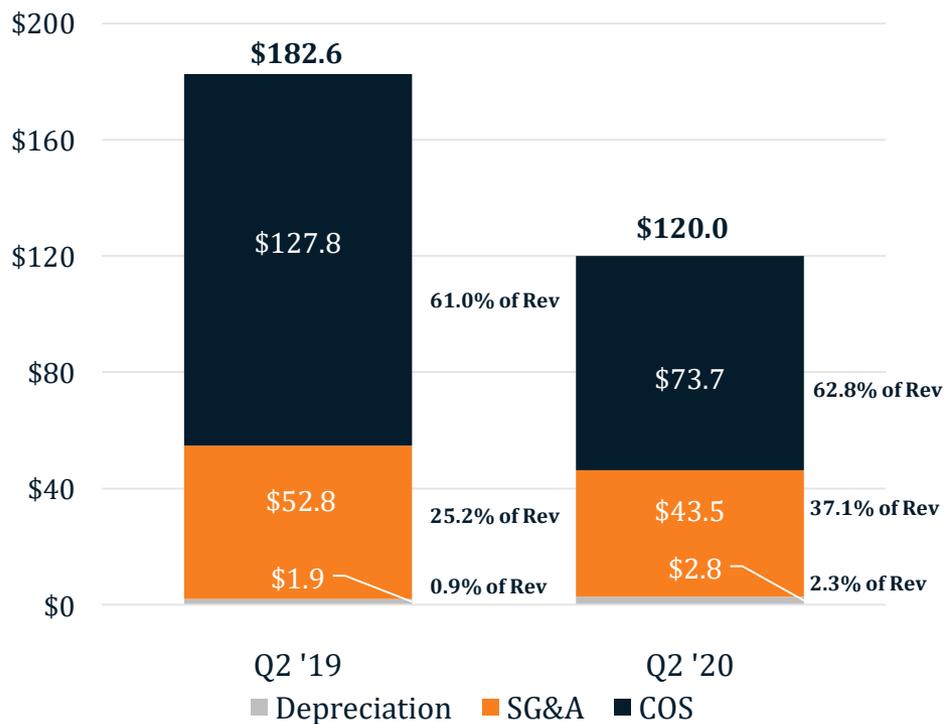
Year-to-Date 2020



# OPERATING EXPENSES

(\$ in millions)

### Q2 2019 vs. Q2 2020



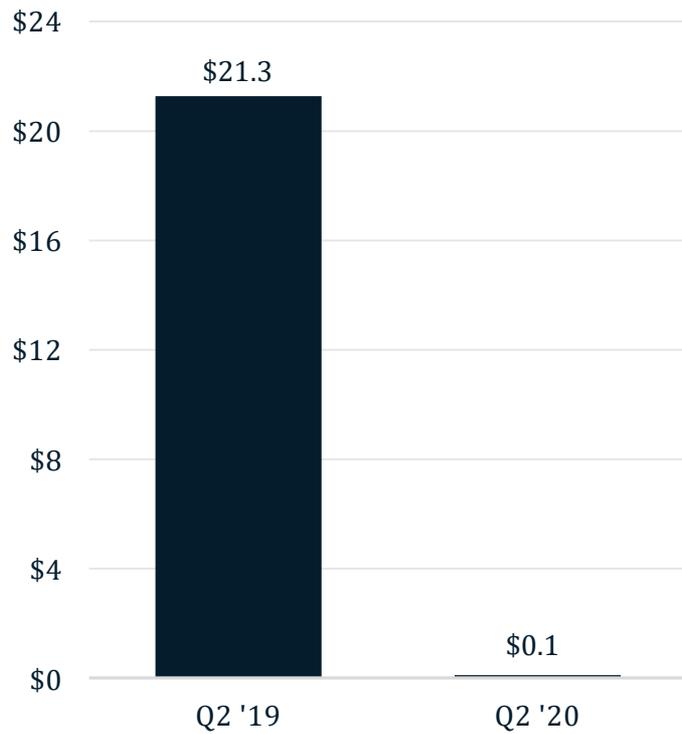
### Year-To-Date 2019 vs. 2020



# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q2 2020

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



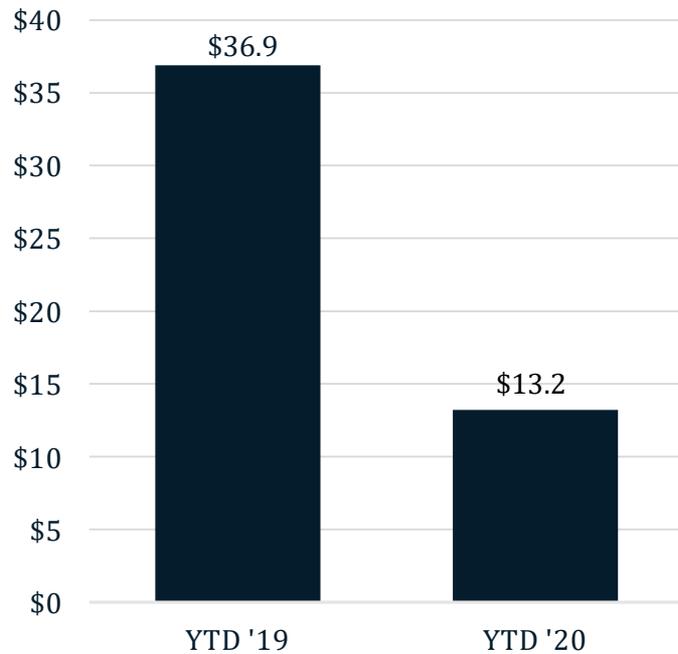
**Adjusted EBITDA**  
(\$ in millions)



# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Year-to-Date 2020

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



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

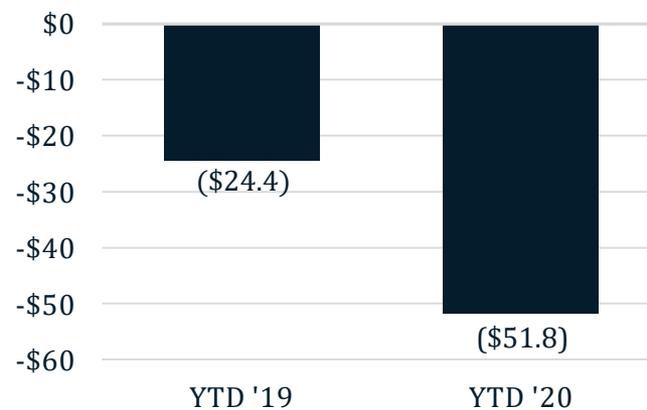


# CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES

**QTD Cash Flow Provided By  
Operating Activities <sup>(1)</sup>**  
(\$ in millions)



**YTD Cash Flow Used In  
Operating Activities <sup>(1)</sup>**  
(\$ in millions)

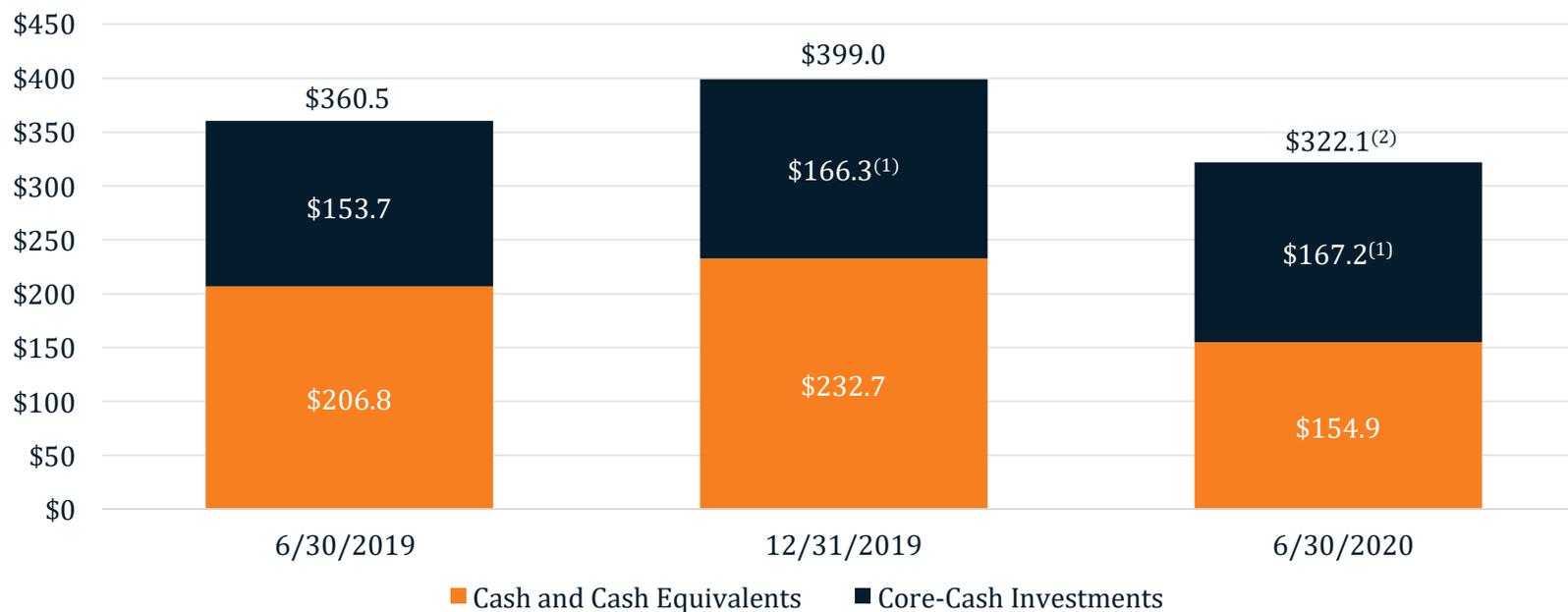


(1) Net cash provided by (used in) operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The increased usage in operating cash flows for the three and six months ended June 30, 2020 compared to the same periods in 2019 was primarily due to lower total revenues and a higher proportion of operating expenses compared to total revenues, differences in timing of certain payments and receipts, an increase in advances related to the long-term retention of our sales professionals and to a lesser extent, a reduction in the deferral of certain discretionary commissions.

# STRONG LIQUID CAPITAL 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 0.38 years and 0.52 years for the periods ended 6/30/20 and 12/31/19, respectively.

(2) Cash on hand & core-cash investments decreased for the period ended 6/30/20 primarily due to payments related to agent deferred commissions, acquisitions of companies and teams, as well as advances related to the long-term retention of our sales professionals. In addition, the decrease was also due to payment of bonuses related to 2019's performance and payments for notes payable to former stockholders.

# 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 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 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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
<b>Net Income</b>	\$106	\$21,279	\$13,176	\$36,917
<b>Adjustments:</b>				
<b>Interest income and other<sup>(1)</sup></b>	(1,198)	(2,562)	(3,201)	(5,103)
<b>Interest expense</b>	213	340	496	689
<b>Provision for income taxes</b>	42	8,478	5,959	14,135
<b>Depreciation and amortization</b>	2,752	1,932	5,216	3,764
<b>Stock-based compensation</b>	2,536	2,585	5,168	4,926
<b>Non-cash MSR activity<sup>(2)</sup></b>	(301)	(36)	(286)	(153)
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>\$4,150</b>	<b>\$32,016</b>	<b>\$26,528</b>	<b>\$55,175</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 and six months ended June 30, 2020 compared to the same periods in 2019 is primarily due to a decrease in total revenues and 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

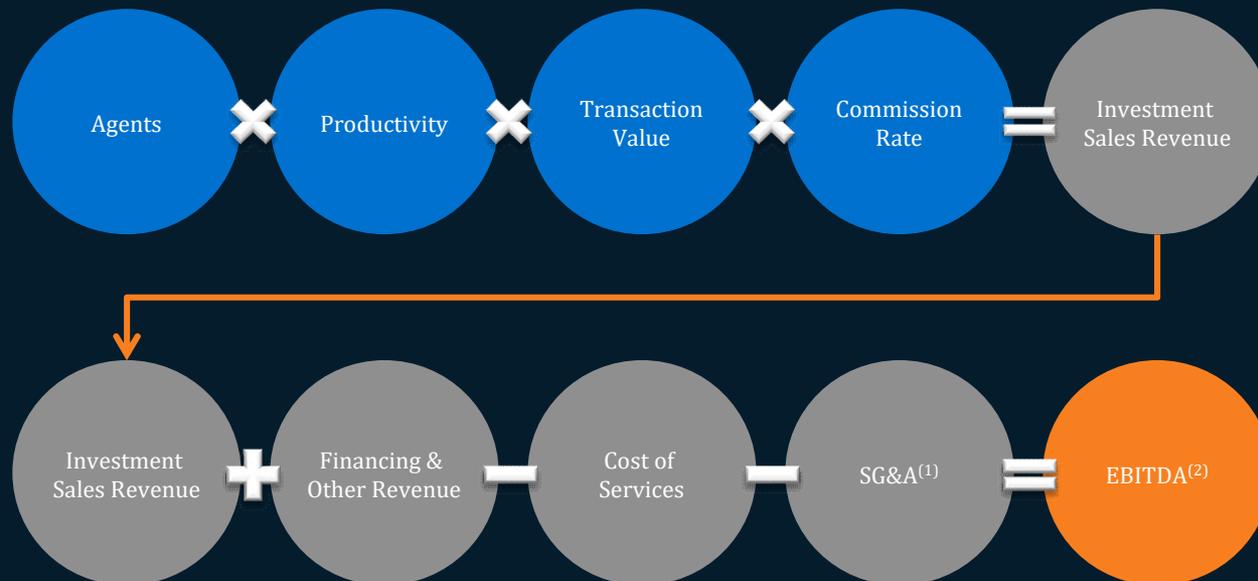
## **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- 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.