

RE/MAX Holdings, Inc.
Form 10-Q
May 08, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2015.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 001-36101

RE/MAX Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	80-0937145 (I.R.S. Employer Identification Number)
5075 South Syracuse Street Denver, Colorado (Address of principal executive offices)	80237 (Zip Code)

(303) 770-5531

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's Class A common stock, par value \$0.0001 per share, and Class B common stock, par value \$0.0001, as of May 1, 2015 was 12,233,041 and 1, respectively.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

RE/MAX HOLDINGS, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 114,546	\$ 107,199
Escrow cash - restricted	75	693
Accounts and notes receivable, current portion, less allowances of \$4,831 and \$4,495, respectively	18,259	16,641
Accounts receivable from affiliates	-	231
Income taxes receivable	1,214	765
Assets held for sale	1,179	-
Other current assets	3,674	5,237
Total current assets	138,947	130,766
Property and equipment, net of accumulated depreciation of \$19,495 and \$19,993, respectively	2,788	2,661
Franchise agreements, net of accumulated amortization of \$90,721 and \$87,330, respectively	72,114	75,505
Other intangible assets, net of accumulated amortization of \$8,705 and \$8,550, respectively	2,859	2,725
Goodwill	72,169	72,463
Deferred tax assets, net	66,392	66,903
Investments in equity method investees	3,698	3,693
Debt issuance costs, net	1,756	1,896
Other assets	1,779	1,715
Total assets	\$ 362,502	\$ 358,327
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,052	\$ 561
Accounts payable to affiliates	1,186	1,114
Escrow liabilities	75	693
Accrued liabilities	8,218	9,380
Income taxes and tax distributions payable	92	189
Dividends and other distributions payable	50,213	-
Deferred revenue and deposits	18,401	17,142
Current portion of debt	12,725	9,460

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Current portion of payable pursuant to tax receivable agreements	3,914	3,914
Liabilities held for sale	1,743	-
Other current liabilities	340	211
Total current liabilities	97,959	42,664
Debt, net of current portion	190,605	202,213
Payable pursuant to tax receivable agreements, net of current portion	63,504	63,504
Deferred tax liabilities, net	178	190
Other liabilities, net of current portion	10,458	10,473
Total liabilities	362,704	319,044
Commitments and contingencies		
Stockholders' (deficit) equity:		
Class A common stock, par value \$0.0001 per share, 180,000,000 shares authorized; 12,031,609 shares issued and outstanding as of March 31, 2015; 11,768,041 shares issued and outstanding as of December 31, 2014	1	1
Class B common stock, par value \$0.0001 per share, 1,000 shares authorized; 1 share issued and outstanding as of March 31, 2015 and December 31, 2014	-	-
Additional paid-in capital	244,078	241,882
(Accumulated deficit) retained earnings	(4,591)	12,041
Accumulated other comprehensive income	353	886
Total stockholders' equity attributable to RE/MAX Holdings, Inc.	239,841	254,810
Non-controlling interest	(240,043)	(215,527)
Total stockholders' (deficit) equity	(202)	39,283
Total liabilities and stockholders' equity	\$362,502	\$358,327

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.

Condensed Consolidated Statements of Income

(In thousands, except share and per share amounts)

(Unaudited)

	Three months ended March	
	31,	
	2015	2014
Revenue:		
Continuing franchise fees	\$ 17,660	\$ 17,704
Annual dues	7,802	7,506
Broker fees	6,420	5,558
Franchise sales and other franchise revenue	8,426	7,909
Brokerage revenue	3,899	3,203
Total revenue	44,207	41,880
Operating expenses:		
Selling, operating and administrative expenses	25,071	25,287
Depreciation and amortization	3,811	3,938
Loss (gain) on sale or disposition of assets, net	2	(1)
Total operating expenses	28,884	29,224
Operating income	15,323	12,656
Other expenses, net:		
Interest expense	(2,809)	(2,466)
Interest income	67	81
Foreign currency transaction losses	(1,421)	(529)
Loss on early extinguishment of debt	(94)	-
Equity in earnings (losses) of investees	212	(59)
Total other expenses, net	(4,045)	(2,973)
Income before provision for income taxes	11,278	9,683
Provision for income taxes	(2,148)	(1,885)
Net income	\$ 9,130	\$ 7,798
Less: net income attributable to non-controlling interest	6,379	5,390
Net income attributable to RE/MAX Holdings, Inc.	\$ 2,751	\$ 2,408
Net income attributable to RE/MAX Holdings, Inc. per share of Class A common stock		
Basic	\$ 0.23	\$ 0.21
Diluted	\$ 0.22	\$ 0.20
Weighted average shares of Class A common stock outstanding		
Basic	11,817,605	11,607,971
Diluted	12,293,505	12,254,474
Cash dividends declared per share of Class A common stock	\$ 1.6250	\$ 0.0625

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2015	2014
Net income	\$9,130	\$7,798
Change in cumulative translation adjustment	(533)	(177)
Other comprehensive loss	(533)	(177)
Comprehensive income	8,597	7,621
Less: comprehensive income attributable to non-controlling interest	6,059	5,283
Comprehensive income attributable to RE/MAX Holdings, Inc.	\$2,538	\$2,338

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.

Condensed Consolidated Statement of Stockholders' (Deficit) Equity

(In thousands, except share amounts)

(Unaudited)

	Class A common stock		Class B common stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total stockholders' (deficit) equity
	Shares	Amount	Shares	Amount					
Balances, January 1, 2015	11,768,041	\$ 1	1	\$ -	\$ 241,882	\$ 12,041	\$ 886	\$ (215,527)	\$ 39,283
Net income	-	-	-	-	-	2,751	-	6,379	9,130
Distributions paid and payable to non-controlling unitholders	-	-	-	-	-	-	-	(30,895)	(30,895)
Equity-based compensation	-	-	-	-	142	-	-	-	142
Dividends payable to Class A common stockholders	-	-	-	-	-	(19,383)	-	-	(19,383)
Change in accumulated other comprehensive income	-	-	-	-	-	-	(533)	-	(533)
Exercise of stock options	263,568	-	-	-	949	-	-	-	949
Excess tax benefit realized on exercise of stock options	-	-	-	-	1,105	-	-	-	1,105
Balances, March 31, 2015	12,031,609	\$ 1	1	\$ -	\$ 244,078	\$ (4,591)	\$ 353	\$ (240,043)	\$ (202)

See accompanying notes to unaudited condensed consolidated financial statements.

RE/MAX HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$9,130	\$7,798
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,811	3,938
Bad debt expense	205	201
Loss on early extinguishment of debt	94	-