

Marcus & Millichap, Inc.  
Form 10-Q  
August 08, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2016**

**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: 001-36155**

**MARCUS & MILLICHAP, INC.**

**(Exact name of registrant as specified in its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**23975 Park Sorrento, Suite 400**

**Calabasas, California**  
**(Address of Principal Executive Offices)**

**(818) 212-2250**

**35-2478370**  
**(I.R.S. Employer**

**Identification No.)**

**91302**  
**(Zip Code)**

**(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 checkmark 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 during the preceding 12 months (or for such shorter time 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. (Check one):

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

Number of shares of common stock, par value \$0.0001 per share, of the registrant issued and outstanding as of August 2, 2016 was 37,607,636.

**Table of Contents**

**MARCUS & MILLICHAP, INC.**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b>Item 1.</b> <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets at June 30, 2016 (Unaudited) and December 31, 2015</u>	3
<u>Condensed Consolidated Statements of Net and Comprehensive Income for the Three and Six</u>	
<u>Months Ended June 30, 2016 and 2015 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Stockholders' Equity for the Six Months Ended June 30,</u>	
<u>2016 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and</u>	
<u>2015 (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
<b>Item 2.</b> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<b>Item 3.</b> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
<b>Item 4.</b> <u>Controls and Procedures</u>	37
<b><u>PART II. OTHER INFORMATION</u></b>	
<b>Item 1.</b> <u>Legal Proceedings</u>	38
<b>Item 1A.</b> <u>Risk Factors</u>	38
<b>Item 2.</b> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<b>Item 3.</b> <u>Defaults upon Senior Securities</u>	38
<b>Item 4.</b> <u>Mine Safety Disclosures</u>	38
<b>Item 5.</b> <u>Other Information</u>	38
<b>Item 6.</b> <u>Exhibits</u>	38
<b><u>SIGNATURES</u></b>	
<b><u>EXHIBIT INDEX</u></b>	

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MARCUS & MILLICHAP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(dollar amounts in thousands, except per share amounts)**

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 92,437	\$ 96,185
Commissions receivable	4,549	3,342
Prepaid expenses	5,474	7,542
Income tax receivable		4,049
Marketable securities, available-for-sale	81,775	79,860
Other assets, net	4,938	5,136
<b>Total current assets</b>	<b>189,173</b>	<b>196,114</b>
Prepaid rent	11,483	9,075
Property and equipment, net	14,303	11,579
Marketable securities, available-for-sale	64,178	54,395
Assets held in rabbi trust	7,106	5,661
Deferred tax assets, net	33,903	35,285
Other assets	9,657	9,116
<b>Total assets</b>	<b>\$ 329,803</b>	<b>\$ 321,225</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,343	\$ 9,135
Notes payable to former stockholders	986	939
Commissions payable	23,540	34,091
Income tax payable	5,303	
Accrued bonuses and other employee related expenses	14,995	30,846
<b>Total current liabilities</b>	<b>53,167</b>	<b>75,011</b>
Deferred compensation and commissions	38,580	43,678
Notes payable to former stockholders	8,686	9,671
Deferred rent and other liabilities	4,336	3,875

Total liabilities	104,769	132,235
<b>Commitments and contingencies</b>		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares 25,000,000; issued and outstanding shares none at June 30, 2016, and December 31, 2015, respectively		
Common stock, \$0.0001 par value:		
Authorized shares 150,000,000; issued and outstanding shares 37,607,636 and 37,396,456 at June 30, 2016, and December 31, 2015, respectively	4	4
Additional paid-in capital	83,155	80,591
Stock notes receivable from employees	(4)	(4)
Retained earnings	140,281	107,942
Accumulated other comprehensive income	1,598	457
<b>Total stockholders' equity</b>	<b>225,034</b>	<b>188,990</b>
Total liabilities and stockholders' equity	\$ 329,803	\$ 321,225

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents**MARCUS & MILLICHAP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE INCOME****(dollar and share amounts in thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>				
Real estate brokerage commissions	\$ 170,118	\$ 160,221	\$ 323,782	\$ 294,414
Financing fees	10,726	11,150	19,459	19,181
Other revenues	2,543	2,111	4,418	6,428
<b>Total revenues</b>	<b>183,387</b>	<b>173,482</b>	<b>347,659</b>	<b>320,023</b>
<b>Operating expenses:</b>				
Cost of services	113,126	105,557	209,279	191,715
Selling, general and administrative expense	40,420	37,589	82,675	73,418
Depreciation and amortization expense	1,009	807	2,015	1,587
<b>Total operating expenses</b>	<b>154,555</b>	<b>143,953</b>	<b>293,969</b>	<b>266,720</b>
Operating income	28,832	29,529	53,690	53,303
Other income (expense), net	618	362	848	487
Interest expense	(384)	(386)	(775)	(969)
Income before provision for income taxes	29,066	29,505	53,763	52,821
Provision for income taxes	11,542	11,949	21,424	21,596
Net income	17,524	17,556	32,339	31,225
<b>Other comprehensive income (loss):</b>				
Unrealized gain (loss) on marketable securities, net of tax of \$271, \$332, \$721 and \$206 for the three months ended June 30, 2016, and 2015 and the six months ended June 30, 2016, and 2015, respectively	426	(493)	1,106	(305)
Foreign currency translation (loss) gain, net of tax of \$0, \$31, \$0 and \$86 for the three months ended June 30, 2016, and 2015 and the six months ended June 30, 2016, and 2015, respectively	(12)	(46)	35	127
<b>Total other comprehensive income (loss)</b>	<b>414</b>	<b>(539)</b>	<b>1,141</b>	<b>(178)</b>
<b>Comprehensive income</b>	<b>\$ 17,938</b>	<b>\$ 17,017</b>	<b>\$ 33,480</b>	<b>\$ 31,047</b>

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Earnings per share:

Basic	\$ 0.45	\$ 0.45	\$ 0.83	\$ 0.80
Diluted	\$ 0.45	\$ 0.45	\$ 0.83	\$ 0.80
Weighted average common shares outstanding:				
Basic	38,918	38,870	38,905	38,858
Diluted	39,054	39,057	39,008	39,006

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents

## MARCUS &amp; MILLICHAP, INC.

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(dollar amounts in thousands)

(Unaudited)

	Preferred Stock	Common Stock		Stock Notes		Accumulated		Total
	Share Amount	Shares	Amount	Additional Paid-In Capital	From Employees	Retained Earnings	Other Comprehensive Income	
Balance as of December 31, 2015	\$	37,396,456	\$ 4	\$ 80,591	\$ (4)	\$ 107,942	\$ 457	\$ 188,990
Net and comprehensive income						32,339	1,141	33,480
<i>Stock-based award activity</i>								
Stock-based compensation				3,100				3,100
Shares issued pursuant to employee stock purchase plan		17,940		402				402
Issuance of common stock for unvested restricted stock awards		14,742						
Issuance of common stock for vesting of restricted stock units		218,906						
Shares withheld related to net share settlement of stock-based awards		(40,408)		(1,109)				(1,109)
Windfall tax benefit from stock-based award activity				171				171
Balance as of June 30, 2016	\$	37,607,636	\$ 4	\$ 83,155	\$ (4)	\$ 140,281	\$ 1,598	\$ 225,034

See accompanying notes to condensed consolidated financial statements.





Table of Contents**MARCUS & MILLICHAP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(dollar amounts in thousands)****(Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 32,339	\$ 31,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	2,015	1,587
Provision for bad debt expense	3	79
Stock-based compensation	3,100	4,582
Deferred taxes, net	661	1,203
Net realized losses (gains) on marketable securities, available-for-sale	135	(130)
Tax benefit from stock-based award activity	171	4,834
Excess tax benefit from stock-based award activity	(171)	(4,834)
Other non-cash items	243	(16)
Changes in operating assets and liabilities:		
Commissions receivable	(1,207)	(1,719)
Prepaid expenses	2,068	1,030
Prepaid rent	(2,408)	(1,691)
Contributions to rabbi trust	(1,263)	(1,368)
Other assets	(216)	(2,244)