
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 2, 2019

MARCUS & MILLICHAP, INC.
(Exact name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36155
(Commission
File Number)

35-2478370
(I.R.S. Employer
Identification Number)

**23975 Park Sorrento, Suite 400
Calabasas, California 91302**
(Address of Principal Executive
Offices including Zip Code)

(818) 212-2250
(Registrant's Telephone Number, including Area Code)

Not Applicable
(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|--------------------------|--|
| Common Stock, par value \$0.0001 per share | MMI | New York Stock Exchange (NYSE) |

Item 2.02. Results of Operations and Financial Condition.

On May 7, 2019, Marcus & Millichap, Inc. (the “**Company**”) issued a press release announcing its financial results for the first quarter ended March 31, 2019. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

The information furnished on this Form 8-K, including the attached exhibit, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 5.07. Submission of Matters to a Vote of Security Holders.

On May 2, 2019, the Company held its 2019 Annual Meeting of Stockholders (the “**Annual Meeting**”) and its stockholders cast their votes as follows:

Proposal 1: Election of Directors

The following individuals were elected to serve as directors for a three-year term ending with the 2022 Annual Meeting by the votes shown below:

| | For | Withheld | Broker Non-Votes |
|-------------------|------------|-----------------|-------------------------|
| George M. Marcus | 33,642,040 | 899,552 | 2,232,565 |
| George T. Shaheen | 33,506,697 | 1,034,895 | 2,232,565 |
| Don C. Watters | 33,809,843 | 731,749 | 2,232,565 |

In addition, the incumbent members of our board of directors (“**Board**”), Hessam Nadji, Norma J. Lawrence, Nicholas F. McClanahan and William A. Millichap, will continue to serve as our directors following the Annual Meeting.

Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm for 2019

The appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for 2019 was ratified by the votes shown below:

| For | Against | Abstain | Broker Non-Votes(1) |
|------------|----------------|----------------|----------------------------|
| 36,722,826 | 33,456 | 17,875 | 0 |

(1) Pursuant to the rules of the New York Stock Exchange, Proposal 2 constituted a routine matter. Therefore, brokers were permitted to vote without receipt of instructions from beneficial owners.

Proposal 3: Advisory Vote on Executive Compensation

The non-binding resolution regarding the compensation paid to the Company’s named executive officers (the “**say-on-pay vote**”) was approved by the votes shown below:

| For | Against | Abstain | Broker Non-Votes |
|------------|----------------|----------------|-------------------------|
| 33,068,554 | 1,453,642 | 19,396 | 2,232,565 |

Proposal 4: Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation

The Company's stockholders cast their votes with respect to the non-binding advisory vote on the frequency of future say-on-pay votes as follows:

| <u>1 Year</u> | <u>2 Years</u> | <u>3 Years</u> | <u>Abstain</u> | <u>Broker Non-Votes</u> |
|---------------|----------------|----------------|----------------|-------------------------|
| 33,558,764 | 1,526 | 961,137 | 20,165 | 2,232,565 |

Based on the results of the vote, and consistent with the Board's recommendation, the Board has determined to hold a say-on-pay vote every year until the next required non-binding advisory vote on the frequency of holding future say-on-pay votes.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Exhibit Title or Description</u> |
|-----------------------|--|
| 99.1 | <u>Press release issued by the Company entitled "Marcus & Millichap, Inc. Reports Results for First Quarter 2019" dated May 7, 2019.</u> |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MARCUS & MILLICHAP, INC.

Date: May 7, 2019

By: /s/ Martin E. Louie

Martin E. Louie
Chief Financial Officer

Marcus & Millichap

MARCUS & MILLICHAP, INC. REPORTS RESULTS FOR FIRST QUARTER 2019

CALABASAS, Calif., May 7, 2019 — (BUSINESS WIRE) — Marcus & Millichap, Inc. (the “Company”, “Marcus & Millichap”, “MMI”) (NYSE: MMI), a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services, today reported financial results for the first quarter ended March 31, 2019.

First Quarter 2019 Highlights

- Total revenues decreased by 7.9% to \$160.7 million
- Private Client Market segment brokerage revenue decreased by 9.4%
- Middle Market and Larger Transaction Market segments combined brokerage revenue decreased by 12.2%, compared to growth of 44.3% in the same period last year
- Financing fees increased by 41.2% to \$13.7 million
- Total salesforce grew by 150 professionals or 8.5% over the past 12 months

Hessam Nadji, President and CEO stated: “As we discussed on our last earnings call, MMI faced a particularly challenging quarter in light of Q1-2018’s revenue growth of 14% and earnings growth of 50% or 25% when tax adjusted. This was coupled with a reduced pipeline due to record closings in the fourth quarter of last year. At the same time, replenishing our pipeline has been gradual as investors take their time to secure more favorable financing amid falling interest rates driven by the Fed’s shift to a dovish stance in the past few months. This was also reflected in the broader market which had a 22% decline in sales transactions during the first quarter as reported by RCA. We also observed more investors opting to refinance which was a key factor behind the 41% jump in our financing revenues.”

Mr. Nadji continued, “Looking forward, we believe lower interest rates, solid real estate fundamentals, steady job growth and competitive yields will support a healthy real estate market environment. The entire MMI team is actively engaged in expanding marketing campaigns, increasing investor outreach and cross-marketing events to bring more buyers and sellers together. We are executing on a 48-year tradition of long-term growth achieved through helping clients execute successfully through changing market dynamics. While we continue to face a tough comparable given last year’s record results, we believe our consistent hiring, increased business development initiatives and active dialogue with additional acquisition targets will continue to generate long-term growth and shareholder value.”

First Quarter 2019 Results Compared to First Quarter 2018

Total revenues for the first quarter of 2019 were \$160.7 million compared to \$174.5 million for the same period in the prior year, decreasing by \$13.8 million, or 7.9%. The change in total revenues was primarily driven by a 10.8% decline in real estate brokerage commissions, to \$144.9 million and was partially offset by an increase in financing fees. The decrease in brokerage commissions was primarily due to lower year over year sales volume resulting from fewer transactions.

Total operating expenses for the first quarter of 2019 decreased by 5.7% to \$142.4 million compared to \$151.1 million for the same period in the prior year. The year over year change was primarily driven by a 9.8% decrease in cost of services, which are primarily variable commissions paid to the Company’s investment sales professionals and compensation-related costs in connection with our financing activities. Cost of services as a percent of total revenues fell to 57.1% compared to 58.2% in the same period in the prior year due to this quarter’s transaction size, mix and broker compensation. Traditionally, cost of services as a percent of total revenues is lower during the three-month period ended March 31 as certain investment professionals may earn additional commissions later in the year after meeting annual revenue thresholds.

Selling, general and administrative expenses for the first quarter of 2019 increased by 1.8% to \$48.9 million compared to the same period in the prior year primarily due to higher costs associated with (i) sales operations support and promotional marketing expenses; (ii) expansion of existing offices and (iii) professional and other fees; which were partially offset by lower costs associated with (i) litigation costs; (ii) compensation related costs, including management performance compensation and (iii) stock-based compensation expense.

Net income for the first quarter of 2019 was \$15.6 million, or \$0.40 per common share (basic and diluted), compared to net income of \$18.0 million, or \$0.46 per common share (basic and diluted) for the same period in the prior year. Adjusted EBITDA for the first quarter of 2019 decreased by 15.6% to \$23.2 million, compared to adjusted EBITDA of \$27.4 million for the same period in the prior year. As of March 31, 2019, the Company had 1,919 investment sales and financing professionals.

Business Outlook

We believe that the Company is positioned to continue long-term growth by leveraging a number of factors. These include our leading national brand and market position within the Private Client Market segment, growth opportunities in the Middle Market and Larger Transaction Market segments, significant growth potential in our financing division, Marcus & Millichap Capital Corporation, and supplementing our organic growth with additional strategic acquisitions. The Company benefits from its experienced management team, infrastructure investments, industry-leading market research and proprietary technology. The size and fragmentation of the Private Client Market segment continues to offer long-term growth opportunities. This market segment consistently accounts for over 80% of commercial property sales transactions and over 60% of the commission pool and is highly fragmented. Top brokerage firms led by MMI have an estimated 24% share of this segment by transaction count. The Company's growth plan also includes further expansion of investment brokerage services in office, industrial and various specialty property types such as hospitality, self-storage and seniors housing.

Key factors that may influence the Company's business during the remainder of 2019 include:

- Volatility in market sales and investor sentiment driven by:
 - Slowdown in market sales in the short- to mid-term in view of a maturing cycle, interest rate fluctuations, increasing bid-ask spread gap between buyers and sellers and economic trends
 - Possible boost to investor sentiment and sales activity based on economic initiatives which may increase real estate investor demand
- Experienced agents' larger share of revenue production in a more challenging market environment, resulting in a higher average commission payout
- Volatility in the Company's Middle and Larger Transaction Market segments
- Global geopolitical uncertainty which may cause investors to refrain from transacting
- The potential for feasible acquisition activity and subsequent integration

Conference Call Details

Marcus & Millichap will host a conference call today to discuss the results at 2:00 p.m. Pacific Time/5:00 p.m. Eastern Time. To participate in the conference call, callers from the United States and Canada should dial (877) 407-9208 ten minutes prior to the scheduled call time. International callers should dial (201) 493-6784. For those unable to participate during the live broadcast, a telephonic replay of the call will also be available from 5:00 p.m. Pacific Time/8:00 p.m. Eastern Time on Tuesday, May 7, 2019, through 8:59 p.m. Pacific Time/11:59 p.m. Eastern Time on Tuesday, May 21, 2019, by dialing (844) 512-2921 in the United States and Canada or (412)317-6671 internationally and entering passcode 13689750.

About Marcus & Millichap, Inc.

Marcus & Millichap, Inc. is a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. As of March 31, 2019, the Company had over 1,900 investment sales and financing professionals in 80 offices who provide investment brokerage and financing services to sellers and buyers of commercial real estate. The Company also offers market research, consulting and advisory services to our clients. Marcus & Millichap closed 1,950 transactions for the three months ended March 31, 2019, with a sales volume of approximately \$9.8 billion. For additional information, please visit www.MarcusMillichap.com.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements, including the Company's business outlook for 2019 and beyond and expectations for market share growth. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- market trends in the commercial real estate market or the general economy;
- our ability to attract and retain qualified managers, senior executives and investment sales and financing professionals;
- the effects of increased competition on our business;
- our ability to successfully enter new markets or increase our market share;
- our ability to successfully expand our services and businesses and to manage any such expansions;
- our ability to retain existing clients and develop new clients;
- our ability to keep pace with changes in technology;
- any business interruption or technology failure and any related impact on our reputation;
- changes in interest rates, tax laws, including the Tax Cuts and Jobs Act, employment laws or other government regulation affecting our business; and
- other risk factors included under "Risk Factors" in our most recent Annual Report on Form10-K.

In addition, in this release, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential," "should" and similar expressions, as they relate to our company, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this release may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this release. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET
AND COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2019 | 2018 |
| <i>Revenues:</i> | | |
| Real estate brokerage commissions | \$144,937 | \$162,525 |
| Financing fees | 13,732 | 9,724 |
| Other revenues | 2,038 | 2,292 |
| Total revenues | 160,707 | 174,541 |
| <i>Operating expenses:</i> | | |
| Cost of services | 91,688 | 101,649 |
| Selling, general and administrative expense | 48,918 | 48,053 |
| Depreciation and amortization expense | 1,832 | 1,375 |
| Total operating expenses | 142,438 | 151,077 |
| Operating income | 18,269 | 23,464 |
| Other income (expense), net | 3,375 | 1,209 |
| Interest expense | (349) | (360) |
| Income before provision for income taxes | 21,295 | 24,313 |
| Provision for income taxes | 5,657 | 6,302 |
| Net income | 15,638 | 18,011 |
| <i>Other comprehensive income (loss):</i> | | |
| Marketable securities, available-for-sale: | | |
| Change in unrealized gains (losses) | 858 | (492) |
| Less: reclassification adjustment for net gains included in other income (expense), net | (9) | — |
| Net change, net of tax of \$288 and \$(164) for the three months ended March 31, 2019 and 2018, respectively | 849 | (492) |
| Foreign currency translation (loss) gain, net of tax of \$0 for each of the three months ended March 31, 2019 and 2018 | (98) | 39 |
| Total other comprehensive income (loss) | 751 | (453) |
| Comprehensive income | \$ 16,389 | \$ 17,558 |
| <i>Earnings per share:</i> | | |
| Basic | \$ 0.40 | \$ 0.46 |
| Diluted | \$ 0.40 | \$ 0.46 |
| <i>Weighted average common shares outstanding:</i> | | |
| Basic | 39,311 | 39,095 |
| Diluted | 39,515 | 39,250 |

KEY OPERATING METRICS SUMMARY

(Unaudited)

Total sales volume was \$9.8 billion for the three months ended March 31, 2019, encompassing 1,950 transactions consisting of \$7.1 billion for real estate brokerage (1,405 transactions), \$1.5 billion for financing (388 transactions) and \$1.2 billion in other transactions, including consulting and advisory services (157 transactions). As of March 31, 2019, the Company had 1,813 investment sales professionals and 106 financing professionals. Key metrics for real estate brokerage and financing are as follows:

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2019 | 2018 |
| <i>Real Estate Brokerage</i> | | |
| Average Number of Investment Sales Professionals | 1,818 | 1,670 |
| Average Number of Transactions per Investment Sales Professional | 0.77 | 0.95 |
| Average Commission per Transaction | \$103,158 | \$102,539 |
| Average Commission Rate | 2.04% | 2.05% |
| Average Transaction Size (in thousands) | \$ 5,056 | \$ 4,994 |
| Total Number of Transactions | 1,405 | 1,585 |
| Total Sales Volume (in millions) | \$ 7,103 | \$ 7,915 |
| <i>Financing (1)</i> | | |
| Average Number of Financing Professionals | 106 | 91 |
| Average Number of Transactions per Financing Professional | 3.66 | 3.56 |
| Average Fee per Transaction | \$ 33,541 | \$ 29,040 |
| Average Fee Rate | 0.89% | 0.93% |
| Average Transaction Size (in thousands) | \$ 3,763 | \$ 3,111 |
| Total Number of Transactions | 388 | 324 |
| Total Financing Volume (in millions) | \$ 1,460 | \$ 1,008 |

(1) Operating metrics calculated excluding certain financing fees not directly associated to transactions.

The following table sets forth the number of transactions, sales volume and revenues by commercial real estate market segment for real estate brokerage:

| <i>Real Estate Brokerage</i> | Three Months Ended March 31, | | | | | | | | |
|--|------------------------------|-------------------------|----------------------------|--------------|-------------------------|----------------------------|--------------|-------------------------|----------------------------|
| | 2019 | | | 2018 | | | Change | | |
| | Number | Volume (in millions) | Revenues (in thousands) | Number | Volume (in millions) | Revenues (in thousands) | Number | Volume (in millions) | Revenues (in thousands) |
| <\$1 million | 201 | \$ 131 | \$ 5,288 | 245 | \$ 162 | \$ 6,868 | (44) | \$ (31) | \$ (1,580) |
| Private Client Market (\$1 - \$10 million) | 1,060 | 3,320 | 96,058 | 1,168 | 3,559 | 106,012 | (108) | (239) | (9,954) |
| Middle Market (>\$10 - \$20 million) | 92 | 1,245 | 23,580 | 113 | 1,605 | 27,271 | (21) | (360) | (3,691) |
| Larger Transaction Market (>\$20 million) | 52 | 2,407 | 20,011 | 59 | 2,589 | 22,374 | (7) | (182) | (2,363) |
| | <u>1,405</u> | <u>\$ 7,103</u> | <u>\$ 144,937</u> | <u>1,585</u> | <u>\$ 7,915</u> | <u>\$ 162,525</u> | <u>(180)</u> | <u>\$ (812)</u> | <u>\$ (17,588)</u> |

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for shares and par value)

| | March 31, 2019 (Unaudited) | December 31, 2018 |
|--|----------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 198,132 | \$ 214,683 |
| Commissions receivable | 6,119 | 4,948 |
| Prepaid expenses | 8,833 | 7,904 |
| Marketable securities, available-for-sale | 121,059 | 137,436 |
| Other assets, net | 6,031 | 6,368 |
| Total current assets | 340,174 | 371,339 |
| Prepaid rent | — | 13,892 |
| Property and equipment, net | 19,937 | 19,550 |
| Operating lease right-of-use assets, net | 83,913 | — |
| Marketable securities, available-for-sale | 75,044 | 83,209 |
| Assets held in rabbi trust | 8,939 | 8,268 |
| Deferred tax assets, net | 20,428 | 22,959 |
| Goodwill and other intangible assets, net | 15,133 | 15,385 |
| Other assets | 39,948 | 31,778 |
| Total assets | \$ 603,516 | \$ 566,380 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and other liabilities | \$ 13,175 | \$ 11,035 |
| Notes payable to former stockholders | 1,087 | 1,087 |
| Deferred compensation and commissions | 25,923 | 47,910 |
| Income tax payable | 7,603 | 4,486 |
| Operating lease liabilities | 17,358 | — |
| Accrued bonuses and other employee related expenses | 8,217 | 28,338 |
| Total current liabilities | 73,363 | 92,856 |
| Deferred compensation and commissions | 36,906 | 49,887 |
| Notes payable to former stockholders | 6,564 | 6,564 |
| Operating lease liabilities | 58,494 | — |
| Deferred rent and other liabilities | 2,097 | 7,499 |
| Total liabilities | 177,424 | 156,806 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value: | | |
| Authorized shares – 25,000,000; issued and outstanding shares – none at March 31, 2019, and December 31, 2018, respectively | — | — |
| Common stock, \$0.0001 par value: | | |
| Authorized shares – 150,000,000; issued and outstanding shares – 39,042,434 and 38,814,464 at March 31, 2019 and December 31, 2018, respectively | 4 | 4 |
| Additional paid-in capital | 97,587 | 97,458 |
| Stock notes receivable from employees | (4) | (4) |
| Retained earnings | 326,979 | 311,341 |
| Accumulated other comprehensive income | 1,526 | 775 |
| Total stockholders' equity | 426,092 | 409,574 |
| Total liabilities and stockholders' equity | \$ 603,516 | \$ 566,380 |

MARCUS & MILLICHAP, INC.
OTHER INFORMATION
(Unaudited)

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 as 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.

A reconciliation of the most directly comparable U.S. GAAP financial measure, net income, to Adjusted EBITDA is as follows (in thousands):

| | Three Months Ended March 31, | |
|-------------------------------|---------------------------------|-----------------|
| | 2019 | 2018 |
| Net income | \$15,638 | \$18,011 |
| Adjustments: | | |
| Interest income and other (1) | (2,541) | (1,228) |
| Interest expense | 349 | 360 |
| Provision for income taxes | 5,657 | 6,302 |
| Depreciation and amortization | 1,832 | 1,375 |
| Stock-based compensation | 2,341 | 2,613 |
| Non-cash MSRs activity (2) | (117) | — |
| Adjusted EBITDA(3) | <u>\$23,159</u> | <u>\$27,433</u> |

- (1) Other for the three months ended March 31, 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 in 2019 compared to 2018 is primarily due to lower total revenues.

Tax Adjusted Net Income Reconciliation

Due to the enactment of the Tax Cuts and Jobs Act, the U.S. federal statutory corporate tax rate was reduced from 35% to 21% starting in 2018. For the three months ended March 31, 2017, the Company calculated tax adjusted net income using the effective income tax rate for the three months ended March 31, 2018 of 25.92%. The adjustment was made to illustrate what the growth rate would have been had the effective income tax rate been the same in both periods. A reconciliation of the most directly comparable U.S. GAAP financial measure, net income, to tax adjusted net income for the three months ended March 31, 2017 is as follows (in thousands):

| | Three Months Ended March 31, | | Change Percentage |
|---|---------------------------------|-----------------|----------------------|
| | 2018 | 2017 | |
| Income before provision for income taxes | \$24,313 | \$19,502 | 24.7% |
| Provision for income taxes | (6,302) | (7,502) | (16.0) |
| Net income | <u>\$18,011</u> | <u>\$12,000</u> | <u>50.1%</u> |
| Income before provision for income taxes | \$24,313 | \$19,502 | 24.7% |
| Provision for income taxes ⁽¹⁾ | (6,302) | (5,055) | (24.7) |
| Tax adjusted net income ⁽¹⁾ | <u>\$18,011</u> | <u>\$14,447</u> | <u>24.7%</u> |

(1) Provision for income taxes for the three months ended March 31, 2017 was calculated using the effective income tax rate of 25.92% for the three months ended March 31, 2018.

Glossary of Terms

- Private Client Market segment: transactions with values from \$1 million to up to but less than \$10 million
- Middle Market segment: transactions with values from \$10 million to up to but less than \$20 million
- Larger Transaction Market segment (previously Institutional Market segment): transactions with values of \$20 million and above
- Acquisitions: acquisitions of teams and/or acquisitions as business combinations under accounting standards