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, 2023

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: **001-38493**

EXP WORLD HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**98-0681092**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2219 Rimland Drive, Suite 301, Bellingham, WA	**98226**
(Address of principal executive offices)	(Zip Code)

(360) 685-4206

(Registrant's telephone number, including area code)

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

(Title of Each Class)	(Trading Symbol)	(Name of each exchange on which registered)
Common Stock, $0.00001 par value per share	**EXPI**	**The Nasdaq Stock Market**

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 every Interactive Data File required to be submitted 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 such files).
Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
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. ☐

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

There were 153,442,421 shares of the registrant's Common Stock, $0.00001 par value, outstanding as of March 31, 2023.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains statements that are not historical fact and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not based on historical facts but rather represent current expectations and assumptions of future events. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Many of these risks and other factors are beyond our ability to control or predict. Forward-looking statements can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "should," "intend," "may," "will," "could," "can," "would," "potential," "seek," "goal" and similar expressions of the future. These risks and uncertainties, as well as other risks and uncertainties that could cause our actual results to differ significantly from management's expectations, including, but not limited to:

- *the impact of macroeconomic conditions on the strength of the residential real estate market;*
- *the impact of monetary policies of the U.S. federal government and its agencies on our operations;*
- *the impact of changes in consumer attitudes on home sale transaction volume;*
- *the impact of excessive or insufficient home inventory supply on home sale transaction value;*
- *our ability to effectively manage rapid growth in our business;*
- *our ability to attract and retain additional qualified personnel;*
- *changes in tax laws and regulations that may have a material adverse effect on our business;*
- *our ability to protect our intellectual property rights;*
- *the impact of security breaches, interruptions, delays and failures in our systems and operations on our business;*
- *financial condition and reputation;*
- *our ability to predict the demand or growth of our new products and services;*
- *our ability to maintain our agent growth rate; and*
- *the effect of inflation and rising interest rates on real estate transaction values and our operating results, profits and cash flows.*

Other factors not identified above, including those described under the heading "Risk Factors" in Part I, Item 1A, and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with considering any forward-looking statements that may be made by us.

Forward-looking statements are based on currently available operating, financial and market information and are inherently uncertain. Investors should not place undue reliance on forward-looking statements, which speak only as of the date they are made and are not guarantees of future performance. Actual future results and trends may differ materially from such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future developments or otherwise, except as may be required by law.

PART 1 – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

EXP WORLD HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(UNAUDITED)

	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 122,769	$ 121,594
Restricted cash	55,365	37,789
Accounts receivable, net of allowance for credit losses of $2,224 and $4,014, respectively	99,860	87,262
Prepaids and other assets	12,253	8,468
TOTAL CURRENT ASSETS	290,247	255,113
Property, plant, and equipment, net	14,075	18,151
Operating lease right-of-use assets	2,075	2,127
Other noncurrent assets	1,711	1,703
Intangible assets, net	11,565	8,700
Deferred tax assets	68,399	68,676
Goodwill	27,261	27,212
TOTAL ASSETS	$ 415,333	$ 381,682
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 9,080	$ 10,391
Customer deposits	55,171	37,789
Accrued expenses	97,137	78,944
Current portion of lease obligation - operating lease	159	175
TOTAL CURRENT LIABILITIES	161,547	127,299
Long-term payable	5	4,697
Long-term lease obligation - operating lease, net of current portion	694	694
TOTAL LIABILITIES	162,246	132,690
EQUITY		
Common Stock, $0.00001 par value 900,000,000 shares authorized; 174,532,043 issued and 153,442,421 outstanding at March 31, 2023; 171,656,030 issued and 152,839,239 outstanding at December 31, 2022	2	2
Additional paid-in capital	650,383	611,872
Treasury stock, at cost: 21,089,622 and 18,816,791 shares held, respectively	(414,926)	(385,010)
Accumulated earnings	15,580	20,723
Accumulated other comprehensive income	879	236
Total eXp World Holdings, Inc. stockholders' equity	251,918	247,823
Equity attributable to noncontrolling interest	1,169	1,169
TOTAL EQUITY	253,087	248,992
TOTAL LIABILITIES AND EQUITY	$ 415,333	$ 381,682

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXP WORLD HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except share amounts and per share data)
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
Revenues	$ 850,616	$ 1,010,731
Operating expenses		
Commissions and other agent-related costs	777,559	927,267
General and administrative expenses	71,767	75,322
Sales and marketing expenses	2,963	3,700
Total operating expenses	852,289	1,006,289
Operating (loss) income	(1,673)	4,442
Other (income) expense		
Other (income) expense, net	(880)	410
Equity in losses of unconsolidated affiliates	342	317
Total other (income) expense, net	(538)	727
(Loss) income before income tax expense	(1,135)	3,715
Income tax benefit	(2,588)	(5,149)
Net income	1,453	8,864
Net income attributable to noncontrolling interest	-	18
Net income attributable to eXp World Holdings, Inc.	$ 1,453	$ 8,882
Earnings per share		
Basic	$ 0.01	$ 0.06
Diluted	$ 0.01	$ 0.06
Weighted average shares outstanding		
Basic	152,546,766	149,226,166
Diluted	155,668,712	156,842,721
Comprehensive income:		
Net income	$ 1,453	$ 8,864
Comprehensive loss attributable to noncontrolling interests	-	18
Net income attributable to eXp World Holdings, Inc.	1,453	8,882
Other comprehensive income:		
Foreign currency translation gain (loss), net of tax	643	41
Comprehensive income attributable to eXp World Holdings, Inc.	$ 2,096	$ 8,923

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXP WORLD HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(UNAUDITED)

	Three Months Ended March 31, 2023	2022
Common stock:		
Balance, beginning of period	$ 2	$ 1
Agent equity stock compensation	-	1
Balance, end of period	2	2
Treasury stock:		
Balance, beginning of period	(385,010)	(210,009)
Repurchases of common stock	(29,916)	(29,956)
Balance, end of period	(414,926)	(239,965)
Additional paid-in capital:		
Balance, beginning of period	611,872	401,479
Shares issued for stock options exercised	307	498
Agent growth incentive stock compensation	8,668	6,582
Agent equity stock compensation	26,775	38,500
Stock option compensation	2,761	3,511
Balance, end of period	650,383	450,570
Accumulated earnings (deficit):		
Balance, beginning of period	20,723	30,510
Net income	1,453	8,882
Dividends declared and paid	(6,596)	(5,859)
Balance, end of period	15,580	33,533
Accumulated other comprehensive income (loss):		
Balance, beginning of period	236	188
Foreign currency translation gain (loss)	643	41
Balance, end of period	879	229
Noncontrolling interest:		
Balance, beginning of period	1,169	1,364
Net loss	-	(18)
Transactions with noncontrolling interests	-	(177)
Balance, end of period	1,169	1,169
Total equity	$ 253,087	$ 245,538

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXP WORLD HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(UNAUDITED)

	Three Months Ended March 31, 2023	2022
OPERATING ACTIVITIES		
Net income	$ 1,453	$ 8,864
Reconciliation of net income to net cash provided by operating activities:		
Depreciation expense	2,067	1,616
Amortization expense - intangible assets	512	342
Loss on dissolution of consolidated affiliates	-	361
Allowance for credit losses on receivables/bad debt on receivables	(1,790)	219
Equity in loss of unconsolidated affiliates	342	317
Agent growth incentive stock compensation expense	9,660	7,798
Stock option compensation	2,761	3,511
Agent equity stock compensation expense	26,775	38,500
Deferred income taxes, net	277	(5,901)
Changes in operating assets and liabilities:		
Accounts receivable	(10,808)	(9,846)
Prepaids and other assets	(3,722)	496
Customer deposits	17,382	49,266
Accounts payable	(1,310)	74
Accrued expenses	17,200	15,854
Long term payable	(4,692)	-
Other operating activities	37	36
NET CASH PROVIDED BY OPERATING ACTIVITIES	56,144	111,507
INVESTING ACTIVITIES		
Purchases of property, plant, equipment & intangible assets	(1,432)	(4,684)
Investments in unconsolidated affiliates	(350)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,782)	(4,684)
FINANCING ACTIVITIES		
Repurchase of common stock	(29,916)	(29,956)
Proceeds from exercise of options	307	498
Transactions with noncontrolling interests	-	(426)
Dividends declared and paid	(6,596)	(5,859)
NET CASH USED IN FINANCING ACTIVITIES	(36,205)	(35,743)
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	594	41
Net change in cash, cash equivalents and restricted cash	18,751	71,121
Cash, cash equivalents and restricted cash, beginning balance	159,383	175,910
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, ENDING BALANCE	$ 178,134	$ 247,031
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid for income taxes	$ 1,089	$ 483
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property, plant and equipment purchases in accounts payable	-	246

The accompanying notes are an integral part of these condensed consolidated financial statements.

eXp World Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements
(UNAUDITED)
(Amounts in thousands, except share amounts and per share data or noted otherwise)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

eXp World Holdings, Inc. ("eXp," or, collectively with its subsidiaries, the "Company," "we," "us," or "our") owns and operates a diversified portfolio of service-based businesses whose operations benefit substantially from utilizing our technology platform. We strategically prioritize our efforts to grow our real estate brokerage by strengthening our agent value proposition, developing immersive and cloud-based technology to enable our model and providing affiliate and media services supporting those efforts. Our real estate brokerage is now one of the largest and fastest-growing real estate brokerage companies in the United States and Canada and is rapidly expanding internationally.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 28, 2023 ("2022 Annual Report").

In our opinion, the accompanying interim unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

Effective in December 2022, the Company revised the presentation of segment information to reflect changes in the way the Company manages and evaluates the business. As such, we now report operating results through four reportable segments: North American Realty, International Realty, Virbela and Other Affiliated Services, as further discussed in *Note 11 – Segment Information*. Accordingly, certain amounts in the prior years' consolidated financial statements have been revised to conform to the current year presentation. See additional information in *Note 11 –Segment Information*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of eXp and its consolidated subsidiaries, including those entities in which we have a variable interest of which we are the primary beneficiary. If the Company has a variable interest in an entity but it is not the primary beneficiary of the entity or exercises control over the operations and has less than 50% ownership, it will use the equity method or the cost method of accounting for investments. Entities in which the Company has less than a 20% investment and where the Company does not exercise significant influence are accounted for under the cost method. Intercompany transactions and balances are eliminated upon consolidation.

Variable interest entities and noncontrolling interests

A company is deemed to be the primary beneficiary of a variable interest entity ("VIE") and must consolidate the entity if the company has both: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial, and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method and are recognized initially at cost.

***Use of Estimate*s**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to allowance for credit losses, legal contingencies, income taxes, revenue recognition, stock-based compensation, goodwill, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Reclassifications

When necessary, the Company will reclassify certain amounts in prior-period financial statements to conform to the current period's presentation. No reclassifications occurred during the current period.

Restricted cash

Restricted cash consists of cash held in escrow by the Company on behalf of real estate buyers. The Company recognizes a corresponding customer deposit liability until the funds are released. Once the cash transfers from escrow, the Company reduces the respective customers' deposit liability.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown on the condensed consolidated statements of cash flows.

	Cash and cash equivalents	Restricted cash	Total
Balance, December 31, 2021	$ 108,237	$ 67,673	$ 175,910
Balance, March 31, 2022	$ 130,092	$ 116,939	$ 247,031
Balance, December 31, 2022	$ 121,594	$ 37,789	$ 159,383
Balance, March 31, 2023	$ 122,769	$ 55,365	$ 178,134

3. EXPECTED CREDIT LOSSES

The Company is exposed to credit losses primarily through trade and other financing receivables arising from revenue transactions. The Company uses the aging schedule method to estimate current expected credit losses ("CECL") based on days of delinquency, including information about past events and current economic conditions. The Company's accounts receivable is separated into three categories to evaluate allowance under the CECL impairment model. The receivables in each category share similar risk characteristics. The three categories include agent non-commission based fees, agent short-term advances, and commissions receivable for real estate property settlements.

The Company increases the allowance for expected credits losses when the Company determines all or a portion of a receivable is uncollectable. The Company recognizes recoveries as a decrease to the allowance for expected credit losses.

As of the first quarter of 2022, the Company provided an allowance for potential credit losses of real estate transactions.

Receivables from real estate property settlements totaled $94,724 and $79,135 of which the Company recognized expected credit losses of $758 and $3,127, respectively as of March 31, 2023 and December 31, 2022. As of March 31, 2023 and December 31, 2022 agent non-commission based fees receivable and short-term advances totaled $7,360 and $12,141, of which the Company recognized expected credit losses of $1,466 and $887, respectively.

4. PLANT, PROPERTY AND EQUIPMENT, NET

Plant, property and equipment, net consisted of the following:

	March 31, 2023	December 31, 2022
Computer hardware and software	$ 34,263	$ 34,206
Furniture, fixture, and equipment	52	20
Total depreciable property and equipment	34,315	34,226
Less: accumulated depreciation	(21,434)	(19,282)
Depreciable property, net	12,881	14,944
Assets under development	1,194	3,207
Property, plant, and equipment, net	$ 14,075	$ 18,151

For the three months ended March 31, 2023 and 2022 depreciation expense was $2,067 and $1,616, respectively.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill was $27,261 as of March 31, 2023 and $27,212 as of December 31, 2022. In the first quarter of 2023, the Company recorded cumulative translation adjustment of $73 related to Canadian goodwill. The Company has a risk of future impairment to the extent that individual reporting unit performance does not meet projections. Additionally, if current assumptions and estimates, including projected revenues and income growth rates, terminal growth rates, competitive and consumer trends, market-based discount rates, and other market factors, are not met, or if valuation factors outside of the Company's control change unfavorably, the estimated fair value of goodwill could be adversely affected, leading to a potential impairment in the future. For the three months ended March 31, 2023, no events occurred that indicated it was more likely than not that goodwill was impaired.

Definite-lived intangible assets were as follows:

	March 31, 2023			December 31, 2022		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Trade name	$ 3,461	($ 913)	$ 2,548	$ 3,459	($ 841)	$ 2,618
Existing technology	7,368	(2,833)	4,535	3,995	(2,458)	1,537
Non-competition agreements	462	(125)	337	461	(125)	336
Customer relationships	1,895	(598)	1,297	1,895	(551)	1,344
Licensing agreement	210	(198)	12	210	(181)	29
Intellectual property	2,836	-	2,836	2,836	-	2,836
Total intangible assets	$ 16,232	($ 4,667)	$ 11,565	$ 12,856	($ 4,156)	$ 8,700

Definite-lived intangible assets are amortized using the straight-line method over an asset's estimated useful life. Amortization expense for definite-lived intangible assets for the three months ended March 31, 2023 and 2022 was $512 and $342, respectively. The Company has no indefinite-lived assets.

6. STOCKHOLDERS' EQUITY

The following table represents a share reconciliation of the Company's common stock issued for the periods presented:

	Three Months Ended March 31,	
	2023	2022
Common stock:		
Balance, beginning of year	171,656,030	155,516,284
Shares issued for stock options exercised	113,208	723,194
Agent growth incentive stock compensation	656,436	510,672
Agent equity stock compensation	2,106,369	1,550,455
Balance, end of quarter	174,532,043	158,300,605

The Company's stockholder approved equity plans described below are administered under the 2013 Stock Option Plan and the 2015 Equity Incentive Plan. Although a limited number of awards under the plan remain outstanding, no awards have been granted under the 2013 Stock Option Plan since 2015. The purpose of the equity plans is to retain the services of valued employees, directors, officers, agents, and consultants and to incentivize such persons to make contributions to the Company and motivate excellent performance.

Agent Equity Program

The Company provides agents and brokers the opportunity to elect to receive 5% of commissions earned from each completed real estate transaction in the form of common stock (the "Agent Equity Program" or "AEP"). If agents and brokers elect to receive portions of their commissions in common stock, they are entitled to receive the equivalent number of shares of common stock, based on the fixed monetary value of the commission payable. The Company recognizes a 10% discount on these issuances as an additional cost of sales charge during the periods presented.

During the three months ended March 31, 2023 and 2022, the Company issued 2,106,369 and 1,550,455 shares of common stock, respectively, to agents and brokers with a value of $26,775 and $38,500, respectively, inclusive of discount.

Agent Growth Incentive Program

The Company administers an equity incentive program whereby agents and brokers become eligible to receive awards of the Company's common stock through agent attraction and performance benchmarks (the "Agent Growth Incentive Program" or "AGIP"). The incentive program encourages greater performance and awards agents with common stock based on achievement of performance milestones. Awards typically vest after performance benchmarks are reached and three years of subsequent service is provided to the Company. Share-based performance awards are based on a fixed-dollar amount of shares based on the achievement of performance metrics. As such, the awards are classified as liabilities until the number of share awards becomes fixed once the performance metric is achieved.

For the three months ended March 31, 2023 and 2022 the Company's stock compensation expense attributable to the Agent Growth Incentive Program was $9,660 and $7,798, respectively, of which the total amount of stock compensation attributable to liability classified awards was $993 and $1,906, respectively.

The following table illustrates changes in the Company's stock compensation liability for the periods presented:

		Amount
Stock grant liability balance at December 31, 2021	$	4,341
Stock grant liability increase year to date		2,056
Stock grants reclassified from liability to equity year to date		(2,512)
Balance, December 31, 2022		$ 3,885
Stock grant liability increase year to date		993
Stock grants reclassified from liability to equity year to date		-
Balance, March 31, 2023		$ 4,878

Stock Option Awards

Stock options are granted to directors, officers, certain employees and consultants with an exercise price equal to the fair market value of common stock on the grant date and the stock options expire 10 years from the date of grant. These options have time-based restrictions with equal and periodically graded vesting over a three-year period.

During the three months ended March 31, 2023, and 2022, the Company granted 88,553 and 484,378 stock options, respectively, to employees with an estimated grant date fair value of $8.18 and $26.04 per share, respectively. The fair value was calculated using a Black Scholes-Merton option pricing model.

Stock Repurchase Plan

In December 2018, the Company's board of directors (the "Board") approved a stock repurchase program authorizing the Company to purchase up to $25.0 million of its common stock, which was later amended in November 2019 increasing the authorized repurchase amount to $75.0 million. In December 2020, the Board approved another amendment to the repurchase plan, increasing the total amount authorized to be purchased from $75.0 million to $400.0 million. In May 2022, the Board approved an increase to the total amount of its buyback program from $400.0 million to $500.0 million. Purchases under the repurchase program may be made in the open market or through a 10b5-1 plan and are expected to comply with Rule 10b-18 under the Exchange Act, as amended. The timing and number of shares repurchased depends upon market conditions. The repurchase program does not require the Company to acquire a specific number of shares. The cost of the shares that are repurchased is funded from cash and cash equivalents on hand.

10b5-1 Repurchase Plan

The Company maintains an internal stock repurchase program with program changes subject to Board consent. From time to time, the Company adopts written trading plans pursuant to Rule 10b5-1 of the Exchange Act to conduct repurchases on the open market.

On January 10, 2022, the Company and Stephens Inc. entered into a form of Issuer Repurchase Plan ("Issuer Repurchase Plan") which authorized Stephens to repurchase up to $10.0 million of its common stock per month. On May 3, 2022, the Board approved a form of first amendment to the Issuer Repurchase Plan to increase monthly repurchases from $10.0 million of its common stock per month up to $20.0 million, which amendment was signed May 6, 2022. On September 27, 2022, the Board approved and the Company entered into, a form of second amendment to the Issuer Repurchase Plan, to decrease the monthly repurchases from $20.0 million of its common stock per month to $13.3 million, in anticipation of volume decreases in connection with the contraction in the real estate market. On December 27, 2022, the Board approved and the Company entered into, a form of third amendment to the Issuer Repurchase Plan, to decrease the monthly repurchases from $13.3 million of its common stock per month to $10.0 million, in connection with ongoing contractions in the real estate market.

For accounting purposes, common stock repurchased under the stock repurchase programs is recorded based upon the settlement date of the applicable trade. Such repurchased shares are held in treasury and are presented using the cost method. These shares are considered issued but not outstanding.

The following table shows the changes in treasury stock for the periods presented:

	Three Months Ended March 31,	
	2023	2022
Treasury stock:		
Balance, beginning of year	18,816,791	6,751,692
Repurchases of common stock	2,272,831	1,132,048
Balance, end of quarter	21,089,622	7,883,740

7. EARNINGS PER SHARE

Basic earnings per share is computed based on net income attributable to eXp stockholders divided by the basic weighted-average shares outstanding during the period. Dilutive earnings per share is computed consistently with the basic computation while giving effect to all dilutive potential common shares and common share equivalents that were outstanding during the period. The Company uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards and unexercised options.

The following table sets forth the calculation of basic and diluted earnings per share attributable to common stock during the periods presented:

	Three Months Ended March 31,	
	2023	2022
Numerator:		
Net income attributable to common stock	$ 1,453	$ 8,882
Denominator:		
Weighted average shares - basic	152,546,766	149,226,166
Dilutive effect of common stock equivalents	3,121,946	7,616,555
Weighted average shares - diluted	155,668,712	156,842,721
Earnings per share:		
Earnings per share attributable to common stock- basic	$ 0.01	$ 0.06
Earnings per share attributable to common stock- diluted	$ 0.01	$ 0.06

For three months ended March 31, 2023 and 2022 total outstanding shares of common stock excluded 635,343 and 392,483 shares, respectively, from the computation of diluted earnings per share because their effect would have been anti-dilutive.

8. INCOME TAXES

Our quarterly tax provision is computed by applying the estimated annual effective tax rate to the year-to-date pre-tax income or loss plus discrete tax items arising in the period. Our provision for (benefit from) income taxes amounted to ($2.59) million and ($5.15) million for the three months ended March 31, 2023 and 2022, which represent effective tax rates of positive 237.56% and negative 137.97%, respectively. The decrease in income tax benefit was primarily attributable to lower deductible stock-based compensation windfalls. The effective tax rate differs from our statutory rates in both periods primarily due to the impact of the stock-based compensation and R&D tax credit.

9. FAIR VALUE MEASUREMENT

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

- Level 1 – Inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
- Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
- Level 3 – Inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).

The Company holds funds in a money market account, which are considered Level 1 assets. The Company values its money market funds at fair value on a recurring basis.

As of March 31, 2023 and December 31, 2022, the fair value of the Company’s money market funds was $44,539 and $44,062, respectively.

There have been no transfers between Level 1, Level 2 and Level 3 in the period presented. The Company did not have any Level 2 or Level 3 financial assets or liabilities in the period presented.

10. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to potential liability under laws and government regulations and various claims and legal actions that may be asserted against us that could have a material adverse effect on the business, reputation, results of operations or financial condition. Such litigation may include, but is not limited to, actions or claims relating to sensitive data, including proprietary business information and intellectual property and that of clients and personally identifiable information of employees and contractors, cyber-attacks, data breaches and non-compliance with contractual or other legal obligations.

There are no matters pending or, to the Company’s knowledge, threatened that are expected to have a material adverse impact on the business, reputation, results of operations, or financial condition.

There are no proceedings in which any of the Company’s directors, officers or affiliates, or any registered or beneficial stockholder is an adverse party or has a material interest adverse to the Company’s interest.

11. SEGMENT INFORMATION

The reportable segments presented below represent the Company's segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its segments.

Management evaluates the operating results of each of its reportable segments based upon revenue and Adjusted EBITDA. Adjusted Segment EBITDA is defined by us as operating profit plus depreciation and amortization and stock-based compensation expenses. The Company's presentation of Adjusted Segment EBITDA may not be comparable to similar measures used by other companies. The Company's four reportable segments as follows:

- North American Realty: includes real estate brokerage operations in the United States and Canada, as well as lead-generation and other real estate support services provided in North America.
- International Realty: includes real estate brokerage operations in all other international locations.
- Virbela: includes Virbela enterprise metaverse technology and the support services offered by eXp World Technologies.
- Other Affiliated Services: includes our SUCCESS® Magazine and other smaller ventures.

The Company also reports corporate expenses, as further detailed below, as "Corporate and other" which include expenses incurred in connection with business development support provided to the agents as well as resources, including administrative, brokerage operations and legal functions.

All segments follow the same basis of presentation and accounting policies as those described throughout the Notes to the Audited Consolidated Financial Statements included herein. The following table provides information about the Company's reportable segments and a reconciliation of the total segment Revenues to consolidated Revenues and Adjusted Segment EBITDA to the consolidated operating (loss) profit (in thousands). Financial information for the comparable prior periods presented have been revised to conform with the current year presentation.

	Revenues Three Months Ended March 31,	
	2023	2022
North American Realty	$ 837,114	$ 1,001,880
International Realty	10,758	7,094
Virbela	2,163	1,813
Other Affiliated Services	1,677	838
Revenues reconciliation:		
Segment eliminations	(1,096)	(894)
Consolidated revenues	$ 850,616	$ 1,010,731

	Adjusted EBITDA Three Months Ended March 31,	
	2023	2022
North American Realty	$ 21,203	$ 28,770
International Realty	(3,676)	(1,956)
Virbela	(1,296)	(2,771)
Other Affiliated Services	(681)	(829)
Corporate expenses and other	(2,223)	(5,505)
Consolidated Adjusted EBITDA	$ 13,327	$ 17,709
Operating Profit Reconciliation:		
Depreciation and amortization expense	2,579	1,958
Stock compensation expense	9,660	7,798
Stock option expense	2,761	3,511
Consolidated operating (loss) profit	($ 1,673)	$ 4,442

The Company does not use segment assets to allocate resources or to assess performance of the segments and therefore, total segment assets have not been disclosed.

12. SUBSEQUENT EVENTS

Quarterly Cash Dividend

On April 27, 2023, the Company's Board of Directors declared a dividend of $0.045 per share which is expected to be payable on May 31, 2023, to stockholders of record as of the close of business on May 12, 2023. The ex-dividend date is expected to be May 30, 2023. The dividend will be paid in cash.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report. Management's Discussion and Analysis of Financial Conditions and Results of Operations contain forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements. See "Item 1 A. – Risk Factors" in our 2022 Annual Report for a discussion of certain risks, uncertainties and assumptions associated with these statements.

This MD&A is divided into the following sections:

- Overview
- Market Conditions and Industry Trends
- Key Business Metrics
- Results of Operations
- Business Segment Disclosures
- Non-U.S. GAAP Financial Measures
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- Non-U.S. GAAP Financial Measures

All dollar amounts are in USD thousands except share amounts and per share data and as otherwise noted.

OVERVIEW

eXp World Holdings empowers the new economy through its people, technology platforms and personal and professional development solutions. Through our brokerage, eXp Realty, we operate one of the world's fastest-growing real estate brokerages. We are focused on being the most agent-centric company on the planet and offer our agents a generous commission model, and a thriving community built on our proprietary and unique cloud-based brokerage and collaboration suite.

eXp manages its operations in four operating business segments: North American Realty; International Realty; Virbela; and Other Affiliated Services.

While we do not consider acquisitions a critical element of our ongoing business, we seek opportunities to expand and enhance our portfolio of solutions.

Strategy

Our strategy is to grow organically in North America and certain international markets by increasing our independent agent and broker network. Through our cloud-based operations and technology platform, we strive to achieve customer-focused efficiencies that allow us to increase market share and attain strong returns as we scale our business within the markets in which we operate. By building partnerships and strategically deploying capital, we seek to grow the business and enter into attractive verticals and associated businesses.

Throughout 2022, and during the first three months of 2023, we continued to make progress in achieving our strategic goals, including a 12% increase in our agent count, going from 78,196 agents as of March 31, 2022 to 87,327 agents as of March 31, 2023. The expected outcome of these activities will be to better position us to deliver on our full potential, to provide a platform for future growth opportunities, and to achieve our long-term financial goals.

MARKET CONDITIONS AND INDUSTRY TRENDS

In March of 2023, the existing home sales market declined 22%, compared to March of 2022 according to the National Association of Realtors (“NAR”). Due to the increasing interest rates and increasing inflation, the market began a contraction trend in the second quarter of 2022.

The Company believes it continues to be well positioned to grow in the current economic climate. We have a strong base of agent support, which should drive organic market share growth, retention and productivity. Additionally, we have an efficient operating model with lower fixed costs driven by our cloud-based model, with no brick-and-mortar locations.

Regardless of whether the housing market continues to slow or begins to recover, we believe that we are positioned to leverage our low-cost, high-engagement model, affording agents and brokers increased income and ownership opportunities while offering a scalable solution to brokerage owners looking to survive and thrive during fluctuations in economic activity.

National Housing Inventory

According to NAR, inventory of existing homes for sale in the U.S. was 980,000 as of March 2023 (preliminary) compared to 930,000 at the end of March 2022.

Mortgage Interest Rates

The sharp increase in mortgage rates have continued to negatively impact the demand for homebuying. Based on Freddie Mac data, the average rate for a 30-year, conventional, fixed rate mortgage was 6.3% in March 2023 vs 4.7% in March 2022.

Housing Affordability Index

According to NAR, the composite housing affordability index decreased to 103.9 for February 2023 (preliminary) from 129.4 for February 2022. When the index is above 100, it indicates that a family earning the median income has sufficient income to purchase a median-priced home, assuming a 20% down payment and ability to qualify for a mortgage. The favorable housing affordability index has been declining year over year due to increasing mortgage rates.

Existing Home Sales Transactions and Prices

According to NAR, seasonally adjusted existing home sale transactions decreased to an annual rate of 4.4 million in March 2023 (preliminary) compared to 5.7 million in March 2022.

According to NAR, the nationwide existing home sales median price for March of 2023 (preliminary) was $375,700 compared to $379,300 in March 2022, a decline of 0.9%. Housing inventory was also up to 2.6 months of inventory compared to 2.0 months last year.

KEY BUSINESS METRICS

Management uses our results of operations, financial condition, cash flows, and key business metrics related to our business and industry to evaluate our performance and make strategic decisions.

The following table outlines the key business metrics that we periodically review:

	Three Months Ended March 31,	
	2023	2022
Performance:		
Agent count	87,327	78,196
Transactions	102,305	114,305
Volume	$ 33,241,616	$ 41,379,500
Revenue	$ 850,616	$ 1,010,731
Gross profit	$ 73,057	$ 83,464
Gross margin (%)	8.6%	8.3%
Adjusted EBITDA(1)	$ 13,327	$ 17,709

(1) Adjusted EBITDA is not a measurement of our financial performance under generally accepted accounting principles in the U.S. and should not be considered as an alternative to net income, operating income, or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see "Non-U.S. GAAP Financial Measures".

We periodically evaluate trends in certain metrics to track the Company's performance.

Our strength is attracting real estate agent and broker professionals that contribute to our growth. Brokerage real estate transactions are recorded when our agents and brokers represent buyers and/or sellers in the purchase or sale, respectively, of a home. The number of real estate transactions is a key driver of our revenue and profitability. Real estate transaction volume represents the total sales value for all homes sold by our agents and brokers and is influenced by several market factors, including, but not limited to, the pricing and quality of our services and market conditions that affect home sales, such as macroeconomic factors, local inventory levels, mortgage interest rates, and seasonality. Real estate transaction revenue represents the commission revenue earned by the Company for closed brokerage real estate transactions.

We continue to increase our agents and brokers significantly in the United States and Canada through the execution of our growth strategies. The rate of growth of our agent and broker base is difficult to predict and is subject to many factors outside of our control, including macroeconomic factors affecting the real estate industry in general. With our unique business model, we anticipate being able to continue to grow for the remainder of the year, despite the less favorable economic outlook.

Settled home sales transactions and volume resulted from closed real estate transactions and typically change directionally with changes in the market's existing home sales transactions as reported by NAR, as disproportionate variances are representative of company-specific improvements or shortfalls to the norm. Our home sale transaction performance was directly related to the performance of our agent base over the prior comparative period.

We utilize gross profit and gross margin, financial statement measures based on generally accepted accounting principles in the U.S. ("U.S. GAAP") to assess eXp's financial performance from period to period.

Gross profit is calculated from U.S. GAAP reported amounts and equals the difference between revenue and cost of sales. Gross margin is the calculation of gross profit as a percentage of total revenue. Commissions and other agent-related costs represent the cost of sales for the Company. The cost of sales does not include depreciation or amortization expenses as the Company's assets are not directly used in the production of revenue. Gross profit is based on the information provided in our results of operations or our consolidated statements of comprehensive income and is an important measure of our potential profitability and brokerage performance. For the three months ended March 31, 2023 and 2022 gross profit was $73.1 million, and $83.5 million, respectively. For the three months ended March 31, 2023, and 2022, gross margin was 8.6% and 8.3%, respectively. Gross profit in the first quarter of 2023 reflects lower revenue related to the slowdown in the housing market in early 2023. However, for the three months ended March 31, 2023, gross margin increased year-over-year primarily due to a lower increase in commissions and agent-related costs due to a lower percentage of agents reaching their commission capping requirements, entitling them to a lower percentage of the home sale commission.

Management also reviews Adjusted EBITDA, which is a non-U.S. GAAP financial measure, to understand and evaluate our core operating performance. Adjusted EBITDA has declined for the three months ended March 31, 2023 ended compared to the same period in 2022 due to lower revenue partially offset by lower operating costs.

Agent and Employee Experience

The Company has embarked on an initiative to better understand both its agents' and employees' experiences. In doing so, we have adopted many of the principles of the Net Promoter Score® ("NPS") across many aspects of our organization. NPS is a measure of customer satisfaction and is measured on a scale between -100 and 100. An NPS above 50 is considered excellent. The Company's agent NPS was 70 in the first quarter of 2023.

The NPS measure is an important vehicle for delivering on our core value of transparency. While we strive for high satisfaction, it is equally important to investigate a low or unfavorable trending of NPS. As NPS scores are often leading indicators to agents and employees' future actions, we are able to learn quickly what may be a 'pain point' or product that is not meeting its desired objective. We then take that information and translate it into action with an effort to remediate the specific root cause(s) driving the lower score. Our fast and iterative approach has already led to improvements in parts of our business such as agent onboarding, commission transaction processing, and employee benefits.

Results of Operations

Three Months Ended March 31, 2023 compared to the Three Months Ended March 31, 2022

	Three Months Ended March 31, 2023	% of Revenue	Three Months Ended March 31, 2022	% of Revenue	Change 2023 vs. 2022 $	Change 2023 vs. 2022 %
	(In thousands, except share amounts and per share data)					
Statement of Operations Data:						
Revenues	$ 850,616	100%	$ 1,010,731	100%	($ 160,115)	(16)%
Operating expenses						
Commissions and other agent-related costs	777,559	91%	927,267	92%	(149,708)	(16)%
General and administrative expenses	71,767	8%	75,322	7%	(3,555)	(5)%
Sales and marketing expenses	2,963	-%	3,700	-%	(737)	(20)%
Total operating expenses	852,289	100%	1,006,289	100%	(154,000)	(15)%
Operating (loss) income	(1,673)	-%	4,442	-%	(6,115)	(138)%
Other (income) expense						
Other (income) expense, net	(880)	-%	410	-%	(1,290)	(315)%
Equity in losses of unconsolidated affiliates	342	-%	317	-%	25	8%
Other (income) expense, net	(538)	-%	727	-%	(1,265)	(174)%
(Loss) income before income tax expense	(1,135)	-%	3,715	-%	(4,850)	(131)%
Income tax benefit	(2,588)	-%	(5,149)	(1)%	2,561	(50)%
Net (loss) income	1,453	-%	8,864	1%	(7,411)	(84)%
Add back: Net loss attributable to noncontrolling interest	-	-%	18	-%	(18)	(100)%
Net (loss) income attributable to eXp World Holdings, Inc.	1,453	-%	8,882	1%	(7,429)	(84)%
Adjusted EBITDA[(1)]	$ 13,327	2%	$ 17,709	2%	($ 4,382)	(25)%
Earnings per share						
Basic	$ 0.01		$ 0.06		($ 0.05)	(83)%
Diluted	$ 0.01		$ 0.06		($ 0.05)	(83)%
Weighted average shares outstanding						
Basic	152,546,766		149,226,166			
Diluted	155,668,712		156,842,721			

(1) Adjusted 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 measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see “Non-U.S. GAAP Financial Measures.”

First Quarter 2023 consolidated financial highlights as compared to the same year-ago quarter:

- Revenue decreased 16% to $850.6 million.
- Gross profit decreased 12% to $73.1 million.
- Net income of $1.5 million. Earnings per diluted share of $0.01 compared to earnings per diluted share of $0.06 in the year ago quarter.
- Adjusted EBITDA (a non-GAAP financial measure) of $13.3 million.
- As of March 31, 2023, cash and cash equivalents totaled $122.8 million. The company repurchased approximately $29.9 million of common stock during the first quarter of 2023.

- The Company paid a cash dividend for the first quarter of 2022 of $0.045 per share of common stock on March 31, 2023. On April 27, 2023, the Company's Board of Directors declared a cash dividend of $0.045 per share of common stock for the second quarter of 2023, expected to be paid on May 31, 2023 to stockholders of record on May 12, 2023

Revenue

Our total revenues were $850.6 million for the three months ended March 31, 2023 compared to $1,010.7 million for the same period in 2022, a decrease of ($160.1) million, or (16)%. Total revenues decreased in the first quarter of 2023 as a result of a decrease in real estate transactions and home prices compared to the same period in 2022 due to the decline of the US and Canada residential real estate market.

Commission and Other Agent-Related Costs

Commission and other agent-related costs were $777.6 million for the three months ended March 31, 2023 compared to $927.3 million for the same period in 2022, a decrease ($149.7) million, or (16)%. Commissions and other agent-related costs decreased as a result of a decrease in real estate transactions and home prices compared to the three months ended March 31, 2022 due to the decline of the U.S. and Canada residential real estate market.

General and Administrative Expense

General and administrative expenses were $71.8 million for the three months ended March 31, 2023 compared to $75.3 million for the same period in 2022, a decrease of ($3.6) million or (5)%. General and administrative expenses include costs related to wages, including stock compensation, and other general overhead expenses. General and administrative expenses decreased as a result of lower stock-based compensation, partially offset by increased personnel expenses due to the Company's increase in employee count to continue to support our agent growth strategy.

Sales and Marketing

Sales and marketing expenses decreased to $3.0 million for the three months ended March 31, 2023 compared to $3.7 million the same period in 2022. The decrease of ($0.7) million is due to decreased advertising to offset the contraction in the real estate market.

Other (Income) Expense

Other (income) in the first quarter of 2023 relates primarily to increased interest income when compared to the first quarter of 2022.

Income Tax Benefit

The Company's provision for (benefit from) income taxes amounted to ($2.59) million and ($5.15) million for the three months ended March 31, 2023 and 2022, respectively, which represented effective tax rates of positive 237.56% and negative 137.97%, respectively. The increase in income tax benefit was primarily attributable to lower deductible stock-based compensation windfalls.

BUSINESS SEGMENT DISCLOSURES

See *Note 11 – Segment Information* to the consolidated financial statements for additional information regarding our business segments. The following table reflects the results of each of our reportable segments during the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change 2023 vs. 2022 $	Change 2023 vs. 2022 %
	(In thousands, except share amounts and per share data)			
Statement of Operations Data:				
Revenues				
North American Realty	$ 837,114	$ 1,001,880	($ 164,766)	(16)%
International Realty	10,758	7,094	3,664	52%
Virbela	2,163	1,813	350	19%
Other Affiliated Services	1,677	838	839	100%
Segment eliminations	(1,096)	(894)	(202)	23%
Total Consolidated Revenues	$ 850,616	$ 1,010,731	($ 160,115)	(16)%
Adjusted Segment EBITDA [(1)]				
North American Realty	21,203	28,770	($ 7,567)	(26)%
International Realty	(3,676)	(1,956)	(1,720)	88%
Virbela	(1,296)	(2,771)	1,475	(53)%
Other Affiliated Services	(681)	(829)	148	(18)%
Corporate expenses and other	(2,223)	(5,505)	3,282	(60)%
Total Reported Adjusted EBITDA	$ 13,327	$ 17,709	($ 4,382)	(25)%

North American Realty revenue decreased 16% in the first quarter of 2023 compared to the same period in 2022 primarily due to decreased real estate transactions and home prices driven by the slowdown in the real estate markets. Adjusted EBITDA decreased 26% due to lower revenue, as well as increased general and administrative costs primarily related to increased compensation and personnel related expenses.

International Realty revenue increased 52% in the first quarter of 2023 compared to the same period in 2022 primarily due to increased real estate transactions driven by a higher agent count and increased productivity in previously launched markets. Adjusted EBITDA (loss) increased 88% in the first quarter of 2022 compared to the same period in 2022 due to growing selling, general and administrative expenses to support the incremental production in existing operations.

Virbela revenue increased 19% due to additional enterprise customer base. Adjusted EBITDA (loss) decreased 53% primarily due to workforce reductions and decrease in marketing and advertising expenses.

Other Affiliated Services revenue increased 100% due to expansion of SUCCESS® Coaching and SUCCESS® Media, primarily SUCCESS® magazine. The increases in revenue directly contributed to Adjusted EBITDA (loss) decrease of 18%.

Corporate expenses and other contain the costs incurred to operate the corporate parent of eXp Realty. The decrease in these costs (decrease in Adjusted EBITDA (loss) of 60% in the first quarter of 2023 compared to the same period of 2022) reflect decreased costs primarily due to cost containment initiatives.

NON-U.S. GAAP FINANCIAL MEASURES

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use Adjusted EBITDA, a non-U.S. GAAP financial measure, to understand and evaluate our core operating performance. This non-GAAP financial measure, which may be different than similarly titled measures used by other companies, is presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S.GAAP.

We define the non-U.S. GAAP financial measure of Consolidated Adjusted EBITDA to mean net income, excluding other income (expense), income tax benefit (expense), depreciation, amortization, impairment charges, stock-based compensation expense and stock option expense. Adjusted Segment EBITDA is defined as operating profit plus depreciation and amortization and stock-based compensation expenses. We believe that Consolidated Adjusted EBITDA and Adjusted Segment EBITDA provides useful information about our financial performance, enhances the overall understanding of our past performance and future prospects and allows for greater transparency with respect to a key metric used by our management for financial and operational decision-making. We believe that Adjusted Segment EBITDA helps identify underlying trends in our business that otherwise could be masked by the effect of the expenses that we exclude in Adjusted Segment EBITDA. In particular, we believe the exclusion of stock and stock option expenses, provides a useful supplemental measure in evaluating the performance of our underlying operations and provides better transparency into our results of operations.

We are presenting the non-U.S. GAAP measure of Adjusted EBITDA to assist investors in seeing our financial performance through the eyes of management, and because we believe this measure provides an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of Adjusted EBITDA compared to Net Income (Loss), the closest comparable U.S. GAAP measure. Some of these limitations are that:

- Adjusted EBITDA excludes stock-based compensation expense related to our agent growth incentive program and stock option expense, which have been, and will continue to be for the foreseeable future, significant recurring expenses in our business and an important part of our compensation strategy; and
- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets, amortization of intangible assets, and impairment charges related to these long-lived assets, and, although these are non-cash charges, the assets being depreciated, amortized, or impaired may have to be replaced in the future.

The following tables present a reconciliation of Adjusted EBITDA to net loss, the most comparable U.S. GAAP financial measure, for each of the periods presented:

	Three Months Ended March 31,	
	2023	**2022**
Net income	$ 1,453	$ 8,864
Other (income) expense, net	(538)	727
Income tax benefit	(2,588)	(5,149)
Depreciation and amortization	2,579	1,958
Stock compensation expense [(1)]	9,660	7,798
Stock option expense	2,761	3,511
Adjusted EBITDA	$ 13,327	$ 17,709

(1) This includes agent growth incentive stock compensation expense and stock compensation expense related to business acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are our cash and cash equivalents on hand and cash flows generated from our business operations. Our ability to generate sufficient cash flow from operations or to access certain capital markets, including banks, is necessary to fund our operations and capital expenditures, repurchase our common stock, and meet obligations as they become due. At present, our cash and cash equivalents balances and cash flows from operations have strengthened primarily due to transaction volume growth and improved cost leverage over the prior five years, attributable to the expansion of our independent agent and broker network and, to a lesser extent, increased average prices of home sales.

Currently, our primary use of cash on hand is to sustain and grow our business operations, including, but not limited to, commission and revenue share payments to agents and brokers and cash outflows for operating expenses and dividend payments. In addition, the Company has no known material cash requirements as of March 31, 2023, relating to capital expenditures, commitments, or human capital (except as passthrough commissions to agents and brokers concurrent with settled real estate transactions).

For information regarding the Company's expected cash requirement related to settlement costs, see *Note 10 – Commitments and Contingencies*.

We believe that our existing balances of cash and cash equivalents and cash flows expected to be generated from our operations will be sufficient to satisfy our operating requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our level of investment in technology, our rate of growth into new markets, and cash used to repurchase shares of the Company's common stock. Our capital requirements may be affected by factors which we cannot control such as the changes in the residential real estate market, interest rates, and other monetary and fiscal policy changes to the manner in which we currently operate. In order to support and achieve our future growth plans, we may need or seek advantageously to obtain additional funding through equity or debt financing. We believe that our current operating structure will facilitate sufficient cash flows from operations to satisfy our expected long-term liquidity requirements beyond the next twelve months.

Net Working Capital

Net working capital is calculated as the Company's total current assets less its total current liabilities. The following table presents our net working capital as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Current assets	$ 290,247	$ 255,113
Current liabilities	(161,547)	(127,299)
Net working capital	$ 128,700	$ 127,814

For the three months ended March 31, 2023, net working capital increased $0.9 million, or 1%, compared to December 31, 2022.

Cash Flows

The following table presents our cash flows for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Cash provided by operating activities	$ 56,144	$ 111,507
Cash used in investment activities	(1,782)	(4,684)
Cash used in financing activities	(36,205)	(35,743)
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	594	41
Net change in cash, cash equivalents and restricted cash	$ 18,751	$ 71,121

For the three months ended March 31, 2023, cash provided by operating activities decreased ($55.4) million compared to the same period in 2022. The change resulted primarily from decreased real estate transactions.

For the three months ended March 31, 2023, cash used in our investing activities decreased primarily due to fewer capital expenditures.

For the three months ended March 31, 2023, the increase in cash flows used in financing activities primarily were related to an increase in the payment of cash dividends from 2022 to 2023.

Acquisitions

While we do not consider acquisitions a critical element of our ongoing business, we seek opportunities to expand and enhance our portfolio of solutions, access new revenue streams, or otherwise complement or accelerate the growth of our existing operations. We may fund acquisitions or investments in complementary businesses with various sources of capital including existing cash balances and cash flow from operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022, which provides a description of our critical accounting policies. There were no changes to critical accounting policies or estimates as reflected in our 2022 Annual Report. For additional information regarding our critical accounting policies and estimates, see the Critical Accounting Policies and Estimates section of MD&A included in our 2022 Annual Report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposures to market risk since December 31, 2022. For details on the Company's interest rate and foreign currency exchange, see “Item 7A. Quantitative and Qualitative Information About Market Risks” in our 2022 Annual Report.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (as the principal executive officer) and Chief Financial Officer (as the principal financial officer), to allow timely decisions regarding required disclosures.

As of March 31, 2023, an evaluation was conducted by the Company under the supervision and with the participation of its management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2023.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2023 that have materially affected, or are reasonably believed to be likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are involved in ordinary routine litigation incidental to the conduct of our business, including matters that may be certified as class or collective actions. The Company believes that it has adequately and appropriately accrued for legal matters. We recognize expense for legal claims when payments associated with the claims become probable and can be reasonably estimated.

Litigation and other legal matters are inherently unpredictable and subject to substantial uncertainties and adverse resolutions could occur. In addition, litigation and other legal matters, including class action lawsuits, government investigations and regulatory proceedings can be costly to defend and, depending on the class size and claims, could be costly to settle. As such, the Company could incur judgments, penalties, sanctions, fines or enter into settlements of claims with liability that are materially in excess of amounts accrued and these settlements could have a material adverse effect on the Company’s financial condition, results of operations or cash flows in any particular period.

Item 1A. RISK FACTORS

The business, financial condition and operating results of the Company can be affected by a number of risks, whether currently known or unknown. For a discussion of our potential risks and uncertainties, please see in Part I, Item 1A of the 2022 Annual Report under the heading “Risk Factors”. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations in future periods. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price. Except for the risk factors disclosed in Part I, Item 1A of 2022 Annual Report, which are hereby incorporated by reference into this Part II, Item 1A of this Form 10-Q, there have been no material changes to the Company’s risk factors as disclosed in the 2022 Annual Report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information about repurchases of our common stock through the quarter ended March 31, 2023:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plans or programs
1/1/2023-1/31/2023	761,823	$ 13.29	761,823	$ 81,498,629
2/1/2023-2/28/2023	669,068	15.14	669,068	71,505,180
3/1/2023-3/31/2023	841,940	11.85	841,940	61,513,137
Total	2,272,831	$ 13.42	2,272,831	

(1) In December 2018, the Company's board of directors approved a stock repurchase program authorizing the Company to purchase its common stock. In November 2019, the Board amended the repurchase program, increasing the total amount authorized to be purchased from $25.0 million to $75.0 million. In December 2020, the Board approved another amendment to the repurchase program, increasing the total amount authorized to be purchased from $75.0 million to $400.0 million. In May 2022, the Board approved an increase to the total amount of its buyback program from $400.0 million to $500.0 million. The stock repurchase program is more fully disclosed in *Note 6 – Stockholders' Equity* to the consolidated financial statements.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Form	Exhibit	Incorporated by Reference Filing Date/Period End Date
3.1	Restated Certificate of Incorporation	10-K	3.1	2/28/2023
3.2	Restated Bylaws	10-K	3.2	2/28/2023
4.1	Description of Securities	10-K	4.1	2/28/2023
13.1	Annual Report on Form 10-K	10-K	NA	2/28/2023
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a 14(a) under the Securities Exchange Act of 1934			
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a 14(a) under the Securities Exchange Act of 1934			
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS	Inline XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)			

* Filed herewith
** Furnished herewith

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 thereunto duly authorized.

May 2, 2023	**eXp World Holdings, Inc.** (Registrant)
	/s/ Jeff Whiteside Jeff Whiteside Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Glenn Sanford, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eXp World Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2023

By: */s/ Glenn Sanford*
Glenn Sanford
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeff Whiteside, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eXp World Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2023

By: */s/ Jeff Whiteside*
Jeff Whiteside
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of eXp World Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Glenn Sanford, the Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2023

By: */s/ Glenn Sanford*
Glenn Sanford
Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of eXp World Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Jeff Whiteside, the Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2023

By: */s/ Jeff Whiteside*
Jeff Whiteside
Chief Financial Officer (Principal Financial Officer)