UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 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 001-38160

Redfin Corporation

(Exact name of registrant as specified in its charter)

Delaware	**74-3064240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Stewart Street Suite 600 **Seattle WA**	**98101**
(Address of Principal Executive Offices)	(Zip Code)

(206) 576-8333
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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, $0.001 par value per share	RDFN	The Nasdaq Global Select 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The registrant had 113,975,191 shares of common stock outstanding as of July 28, 2023.

Redfin Corporation

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2023

Table of Contents

As used in this quarterly report, the terms "Redfin," "we," "us," and "our" refer to Redfin Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise. However, when referencing (i) the 2023 notes, the 2025 notes, and the 2027 notes, the terms “we,” “us,” and “our” refer only to Redfin Corporation and not to Redfin Corporation and its subsidiaries taken as a whole, and (ii) each warehouse credit facility, the terms "we," "us," and "our" refer to Redfin Mortgage, LLC or Bay Equity LLC, as the context dictates.

Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” "hope,” “potentially,” “preliminary,” “likely,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under Item 1A of our annual report for the year ended December 31, 2022, as supplemented by Part II, Item 1A of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this report or to conform these statements to actual results or revised expectations.

Note Regarding Industry and Market Data

This quarterly report contains information using industry publications that generally state that the information contained therein has been obtained from sources believed to be reliable, but such information may not be accurate or complete. While we are not aware of any misstatements regarding the information from these industry publications, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied on therein.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Redfin Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts, unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 118,776	$ 232,200
Restricted cash	2,377	2,406
Short-term investments	100,643	122,259
Accounts receivable, net of allowances for credit losses of $2,206 and $2,223	67,753	46,375
Loans held for sale	233,550	199,604
Prepaid expenses	26,042	34,006
Other current assets	9,979	7,449
Current assets of discontinued operations	1,378	132,159
Total current assets	560,498	776,458
Property and equipment, net	49,241	54,939
Right-of-use assets, net	37,270	40,889
Mortgage servicing rights, at fair value	35,503	36,261
Long-term investments	5,473	29,480
Goodwill	461,349	461,349
Intangible assets, net	142,778	162,272
Other assets, noncurrent	11,493	11,247
Noncurrent assets of discontinued operations	—	1,309
Total assets	$ 1,303,605	$ 1,574,204
Liabilities, mezzanine equity, and stockholders' equity		
Current liabilities		
Accounts payable	$ 14,661	$ 11,065
Accrued and other liabilities	102,568	106,763
Warehouse credit facilities	227,801	190,509
Convertible senior notes, net	23,506	23,431
Lease liabilities	16,234	18,560
Current liabilities of discontinued operations	44	4,311
Total current liabilities	384,814	354,639
Lease liabilities, noncurrent	34,383	36,906
Convertible senior notes, net, noncurrent	834,716	1,078,157
Deferred tax liabilities	255	243
Noncurrent liabilities of discontinued operations	—	392
Total liabilities	1,254,168	1,470,337
Commitments and contingencies (Note 7)		
Series A convertible preferred stock—par value $0.001 per share; 10,000,000 shares authorized; 40,000 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	39,936	39,914
Stockholders' equity		
Common stock—par value $0.001 per share; 500,000,000 shares authorized; 113,934,673 and 109,696,178 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	114	110
Additional paid-in capital	791,302	757,951
Accumulated other comprehensive loss	(452)	(801)
Accumulated deficit	(781,463)	(693,307)
Total stockholders' equity	9,501	63,953
Total liabilities, mezzanine equity, and stockholders' equity	$ 1,303,605	$ 1,574,204

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Comprehensive Loss
(in thousands, except share and per share amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 275,556	$ 349,049	$ 489,639	$ 571,865
Cost of revenue	175,366	237,813	331,311	408,980
Gross profit	100,190	111,236	158,328	162,885
Operating expenses				
Technology and development	47,141	46,822	94,804	92,343
Marketing	33,033	55,922	73,436	98,111
General and administrative	61,765	68,523	131,204	124,664
Restructuring and reorganization	6,106	12,406	7,159	18,115
Total operating expenses	148,045	183,673	306,603	333,233
Loss from continuing operations	(47,855)	(72,437)	(148,275)	(170,348)
Interest income	2,704	554	6,110	774
Interest expense	(1,766)	(2,217)	(3,688)	(4,429)
Income tax expense	(233)	(159)	(643)	(293)
Gain on extinguishment of convertible senior notes	20,083	—	62,353	—
Other expense, net	(145)	(264)	(379)	(2,175)
Net loss from continuing operations	(27,212)	(74,523)	(84,522)	(176,471)
Net (loss) income from discontinued operations	(146)	(3,623)	(3,634)	7,519
Net loss	$ (27,358)	$ (78,146)	$ (88,156)	$ (168,952)
Net loss from continuing operations	$ (27,212)	$ (74,523)	$ (84,522)	$ (176,471)
Dividends on convertible preferred stock	(297)	(350)	(523)	(1,144)
Net loss from continuing operations attributable to common stock—basic and diluted	$ (27,509)	$ (74,873)	$ (85,045)	$ (177,615)
Net loss from continuing operations per share attributable to common stock—basic and diluted	$ (0.25)	$ (0.70)	$ (0.77)	$ (1.66)
Weighted-average shares to compute net loss per share attributable to common stock—basic and diluted	111,678,417	107,396,575	110,895,358	107,032,381
Net loss attributable to common stock—basic and diluted	$ (27,655)	$ (78,496)	$ (88,679)	$ (170,096)
Net loss attributable to common stock per share—basic and diluted	$ (0.25)	$ (0.73)	$ (0.80)	$ (1.59)
Net loss	$ (27,358)	$ (78,146)	$ (88,156)	$ (168,952)
Other comprehensive (loss) income				
Foreign currency translation adjustments	—	34	(58)	38
Unrealized (loss) gain on available-for-sale debt securities	(17)	217	407	778
Comprehensive loss	$ (27,375)	$ (77,895)	$ (87,807)	$ (168,136)

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating Activities		
Net loss	$ (88,156)	$ (168,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	34,146	31,140
Stock-based compensation	36,582	33,601
Amortization of debt discount and issuance costs	2,029	2,899
Non-cash lease expense	9,578	7,096
Impairment costs	113	—
Net (gain) loss on IRLCs, forward sales commitments, and loans held for sale	(4,565)	2,721
Change in fair value of mortgage servicing rights, net	599	(878)
Gain on extinguishment of convertible senior notes	(62,353)	—
Other	(1,794)	3,170
Change in assets and liabilities:		
Accounts receivable, net	(14,069)	(6,791)
Inventory	114,232	(19,297)
Prepaid expenses and other assets	8,868	(2,852)
Accounts payable	2,812	5,964
Accrued and other liabilities, deferred tax liabilities, and payroll tax liabilities, noncurrent	(4,522)	5,529
Lease liabilities	(10,790)	(8,042)
Origination of mortgage servicing rights	(579)	(964)
Proceeds from sale of mortgage servicing rights	738	774
Origination of loans held for sale	(1,922,690)	(1,641,377)
Proceeds from sale of loans originated as held for sale	1,888,706	1,587,759
Net cash used in operating activities	(11,115)	(168,500)
Investing activities		
Purchases of property and equipment	(6,213)	(12,131)
Purchases of investments	(76,866)	(82,184)
Sales of investments	65,099	12,946
Maturities of investments	59,383	19,425
Cash paid for acquisition, net of cash, cash equivalents, and restricted cash acquired	—	(97,341)
Net cash provided by (used in) investing activities	41,403	(159,285)
Financing activities		
Proceeds from the issuance of common stock pursuant to employee equity plans	5,665	9,258
Tax payments related to net share settlements on restricted stock units	(11,096)	(3,743)
Borrowings from warehouse credit facilities	1,920,487	1,628,684
Repayments to warehouse credit facilities	(1,883,196)	(1,572,033)
Borrowings from secured revolving credit facility	—	326,025
Repayments to secured revolving credit facility	—	(369,266)
Cash paid for secured revolving credit facility issuance costs	—	(764)
Principal payments under finance lease obligations	(53)	(414)
Repurchases of convertible senior notes	(183,019)	—
Net cash (used in) provided by financing activities	(151,212)	17,747
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(58)	(42)
Net change in cash, cash equivalents, and restricted cash	(120,982)	(310,080)
Cash, cash equivalents, and restricted cash:		
Beginning of period[(1)]	242,246	718,281
End of period[(2)]	$ 121,264	$ 408,201
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 8,370	$ 6,581
Non-cash transactions		
Stock-based compensation capitalized in property and equipment	2,204	2,053
Property and equipment additions in accounts payable and accrued liabilities	64	69

(1) Cash, cash equivalents, and restricted cash consisted of the following (beginning of period):

	As of December 31, 2022	As of December 31, 2021
Continuing operations		
Cash and cash equivalents	$ 232,200	$ 571,384
Restricted cash	2,406	5,244
Total	234,606	576,628
Discontinued operations		
Cash and cash equivalents	7,640	19,619
Restricted cash	—	122,034
Total	7,640	141,653
Total cash, cash equivalents, and restricted cash	$ 242,246	$ 718,281

(2) Cash, cash equivalents, and restricted cash consisted of the following (end of period):

	As of June 30,	
	2023	2022
Continuing operations		
Cash and cash equivalents	$ 118,776	$ 356,510
Restricted cash	2,377	5,771
Total	121,153	362,281
Discontinued operations		
Cash and cash equivalents	111	23,412
Restricted cash	—	22,508
Total	111	45,920
Total cash, cash equivalents, and restricted cash	$ 121,264	$ 408,201

See Notes to the consolidated financial statements.

Table of Contents

Redfin Corporation and Subsidiaries
Consolidated Statements of Changes in Mezzanine Equity and Stockholders' Equity
(in thousands, except share amounts, unaudited)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, March 31, 2023	40,000	$ 39,925	110,526,884	$ 110	$ 775,094	$ (754,105)	$ (435)	$ 20,664
Issuance of convertible preferred stock, net	—	11	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	30,640	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	1,150,703	1	4,214	—	—	4,215
Issuance of common stock pursuant to exercise of stock options	—	—	545,127	2	1,310	—	—	1,312
Issuance of common stock pursuant to settlement of restricted stock units	—	—	2,412,813	2	(2)	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(731,494)	(1)	(7,936)	—	—	(7,937)
Stock-based compensation	—	—	—	—	18,622	—	—	18,622
Other comprehensive loss	—	—	—	—	—	—	(17)	(17)
Net loss	—	—	—	—	—	(27,358)	—	(27,358)
Balance, June 30, 2023	40,000	$ 39,936	113,934,673	$ 114	$ 791,302	$ (781,463)	$ (452)	$ 9,501
Balance, December 31, 2022	40,000	$ 39,914	109,696,178	$ 110	$ 757,951	$ (693,307)	$ (801)	$ 63,953
Issuance of convertible preferred stock, net	—	22	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	61,280	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	1,150,703	1	4,214	—	—	4,215
Issuance of common stock pursuant to exercise of stock options	—	—	563,164	—	1,450	—	—	1,450
Issuance of common stock pursuant to settlement of restricted stock units	—	—	3,568,639	4	(4)	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(1,105,291)	(1)	(11,095)	—	—	(11,096)
Stock-based compensation	—	—	—	—	38,786	—	—	38,786
Other comprehensive income	—	—	—	—	—	—	349	349
Net loss	—	—	—	—	—	(88,156)	—	(88,156)
Balance, June 30, 2023	40,000	$ 39,936	113,934,673	$ 114	$ 791,302	$ (781,463)	$ (452)	$ 9,501

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, March 31, 2022	40,000	$ 39,879	107,025,691	$ 107	$ 699,225	$ (462,970)	$ (739)	$ 235,623
Issuance of convertible preferred stock, net	—	12	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	30,640	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	661,054	1	4,629	—	—	4,630
Issuance of common stock pursuant to exercise of stock options	—	—	436,621	—	2,813	—	—	2,813
Issuance of common stock pursuant to settlement of restricted stock units	—	—	372,111	—	—	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(110,178)	—	(1,148)	—	—	(1,148)
Stock-based compensation	—	—	—	—	17,732	—	—	17,732
Other comprehensive loss	—	—	—	—	—	—	(251)	(251)
Net loss	—	—	—	—	—	(78,146)	—	(78,146)
Balance, June 30, 2022	40,000	$ 39,891	108,415,939	$ 108	$ 723,251	$ (541,116)	$ (990)	$ 181,253
Balance, December 31, 2021	40,000	$ 39,868	106,308,767	$ 106	$ 682,084	$ (372,164)	$ (174)	$ 309,852
Issuance of convertible preferred stock, net	—	23	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	61,280	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	661,054	1	4,629	—	—	4,630
Issuance of common stock pursuant to exercise of stock options	—	—	645,120	—	4,628	—	—	4,628
Issuance of common stock pursuant to settlement of restricted stock units	—	—	1,056,468	1	(1)	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(316,750)	—	(3,743)	—	—	(3,743)
Stock-based compensation	—	—	—	—	35,654	—	—	35,654
Other comprehensive loss	—	—	—	—	—	—	(816)	(816)
Net loss	—	—	—	—	—	(168,952)	—	(168,952)
Balance, June 30, 2022	40,000	$ 39,891	108,415,939	$ 108	$ 723,251	$ (541,116)	$ (990)	$ 181,253

See Notes to the consolidated financial statements.

Index to Notes to Consolidated Financial Statements

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(in thousands, except share and per share amounts, unaudited)

Note 1: Summary of Accounting Policies

Basis of Presentation—The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The financial information as of December 31, 2022 that is included in this quarterly report is derived from the audited consolidated financial statements and notes for the year ended December 31, 2022 included in Item 8 in our annual report for the year ended December 31, 2022. Such financial information should be read in conjunction with the notes and management's discussion and analysis of the consolidated financial statements included in our annual report.

The unaudited consolidated interim financial statements, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2023, our statements of comprehensive loss, and statements of changes in mezzanine equity and stockholders' equity for the three and six months ended June 30, 2023 and 2022, as well as our statements of cash flows for the six months ended June 30, 2023 and 2022. The results for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any interim period or for any other future year.

We completed the wind-down of our properties segment as of June 30, 2023, at which time it met the criteria for discontinued operations in our consolidated financial statements. As a result, certain amounts presented in prior period consolidated balance sheets and statements of comprehensive loss have been reclassified to conform to the current period financial statement presentation. The changes do not affect previously reported consolidated net loss or previously reported total assets, liabilities, or stockholders' equity on our consolidated balance sheets. See Note 2 for additional information.

Principles of Consolidation—The unaudited consolidated interim financial statements include the accounts of Redfin Corporation and its wholly owned subsidiaries, including those entities in which we have a variable interest and of which we are the primary beneficiary. Intercompany transactions and balances have been eliminated.

Use of Estimates—The preparation of consolidated financial statements, in conformity with GAAP, requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the respective periods. Our estimates include, but are not limited to, valuation of deferred income taxes, stock-based compensation, capitalization of website and software development costs, the incremental borrowing rate for the determination of the present value of lease payments, recoverability of intangible assets with finite lives, fair value of our mortgage loans held for sale ("LHFS") and mortgage servicing rights, estimated useful life of intangible assets, fair value of reporting units for purposes of allocating and evaluating goodwill for impairment, and current expected credit losses on certain financial assets. The amounts ultimately realized from the affected assets or ultimately recognized as liabilities will depend on, among other factors, general business conditions and could differ materially in the near term from the carrying amounts reflected in the consolidated financial statements.

Recently Adopted Accounting Pronouncements—None applicable.

Recently Issued Accounting Pronouncements—None applicable.

Note 2: Discontinued Operations

In November 2022, our management and board of directors made the decision to wind down RedfinNow. The financial results of RedfinNow have historically been included in our properties segment. Winding-down RedfinNow was a strategic decision we made in order to focus our resources on our core businesses in the face of the rising cost of capital. The wind-down of our properties segment was complete as of June 30, 2023, at which time it met the criteria for discontinued operations in our consolidated financial statements.

The major classes of assets and liabilities of our discontinued operations were as follows:

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 111	$ 7,640
Accounts receivable, net	1,195	8,504
Inventory	—	114,232
Prepaid expenses	7	500
Other current assets	65	1,283
Total current assets of discontinued operations	1,378	132,159
Property and equipment, net	—	167
Right-of-use assets, net	—	1,142
Total assets of discontinued operations	$ 1,378	$ 133,468
Liabilities		
Current liabilities		
Accounts payable	$ 6	$ 754
Accrued and other liabilities	38	2,980
Lease liabilities	—	577
Total current liabilities of discontinued operations	44	4,311
Lease liabilities, noncurrent	—	392
Total liabilities of discontinued operations	$ 44	$ 4,703

The major classes of line items of the discontinued operations included in our consolidated statement of comprehensive loss were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 10,998	$ 257,866	$ 122,576	$ 632,396
Cost of revenue(1)	10,913	251,100	124,422	604,741
Gross profit (loss)	85	6,766	(1,846)	27,655
Operating expenses				
Technology and development(1)	23	4,684	552	8,803
Marketing(1)	18	821	523	1,974
General and administrative(1)	115	3,209	638	6,035
Restructuring and reorganization	75	271	75	271
Total operating expenses	231	8,985	1,788	17,083
(Loss) income from discontinued operations	(146)	(2,219)	(3,634)	10,572
Interest expense	—	(1,403)	—	(3,052)
Other expense, net	—	(1)	—	(1)
Net (loss) income from discontinued operations	$ (146)	$ (3,623)	$ (3,634)	$ 7,519
Net (loss) income from discontinued operations per share—basic and diluted	$ 0.00	$ (0.03)	$ (0.03)	$ 0.07

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	$ 1	$ 265	$ 46	$ 651
Technology and development	4	933	86	1,788
Marketing	1	30	19	59
General and administrative	25	299	83	566
Total stock-based compensation	$ 31	$ 1,527	$ 234	$ 3,064

Significant non-cash items and capital expenditures of the discontinued operations were as follows:

	Six Months Ended June 30,	
	2023	2022
Amortization of debt discount and debt issuance costs	$ —	$ 301
Stock-based compensation	234	3,064
Depreciation and amortization	89	1,142
Capital expenditures	—	765
Cash paid for interest	—	2,751

Charges specifically relating to the wind-down of our properties segment were as follows:

Cost type	Financial statement line item	Six Months Ended June 30, 2023	Cumulative amount recognized
Employee termination costs	Restructuring and reorganization	$ 539	$ 8,587
Asset write-offs	Restructuring and reorganization	—	493
Other	Restructuring and reorganization	(465)	(890)
Acceleration of debt issuance costs	Interest expense	—	481
Total		$ 74	$ 8,671

Restructuring and reorganization charges related to our continuing operations primarily consist of employee termination costs (including severance, retention, benefits, and payroll taxes) associated with the restructuring and reorganization activities from our acquisitions of Bay Equity LLC (“Bay Equity”), our mortgage business, and Rent Group Inc. (“Rent.”), our rentals business, and from our June 2022 and April 2023 workforce reductions. These expenses are included in restructuring and reorganization in our consolidated statements of comprehensive loss and in accrued and other liabilities on our consolidated balance sheets.

Note 3: Segment Reporting and Revenue

In its operation of our business, our management, including our chief operating decision maker ("CODM"), who is also our chief executive officer, evaluates the performance of our operating segments based on revenue and gross profit. We do not analyze discrete segment balance sheet information related to long-term assets, substantially all of which are located in the United States. We have five operating segments and three reportable segments, real estate services, rentals, and mortgage. As a result of our decision to wind-down RedfinNow operations in November 2022, we report our properties segment as a discontinued operation as we completed wind-down of the business during the three months ended June 30, 2023.

We generate revenue primarily from commissions and fees charged on each real estate services transaction closed by our lead agents or partner agents, from subscription-based product offerings for our rentals business, and from the origination, sales, and servicing of mortgages. Our key revenue components are brokerage revenue, partner revenue, rentals revenue, mortgage revenue, and other revenue.

Information on each of our reportable and other segments and reconciliation to net (loss) income from continuing operations is presented in the tables below. We have assigned certain previously reported expenses to each segment to conform to the way we internally manage and monitor our business. We allocated indirect costs to each segment based on a reasonable allocation methodology, when such costs are significant to the performance measures of the segments.

	Three Months Ended June 30, 2023					
	Real estate services	**Rentals**	**Mortgage**	**Other**	**Corporate overhead**	**Total**
Revenue[1]	$ 180,641	$ 45,356	$ 38,426	$ 11,133	$ —	$ 275,556
Cost of revenue	124,447	10,427	34,266	6,226	—	175,366
Gross profit	56,194	34,929	4,160	4,907	—	100,190
Operating expenses						
Technology and development	28,044	16,304	734	1,118	941	47,141
Marketing	16,004	15,938	1,054	16	21	33,033
General and administrative	20,961	25,305	6,724	1,044	7,731	61,765
Restructuring and reorganization	—	—	—	—	6,106	6,106
Total operating expenses	65,009	57,547	8,512	2,178	14,799	148,045
(Loss) income from continuing operations	(8,815)	(22,618)	(4,352)	2,729	(14,799)	(47,855)
Interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net	—	28	(91)	153	20,553	20,643
Net (loss) income from continuing operations	$ (8,815)	$ (22,590)	$ (4,443)	$ 2,882	$ 5,754	$ (27,212)

(1) Included in revenue is $ 95 from providing services to our discontinued properties segment.

	Three Months Ended June 30, 2022					
	Real estate services	**Rentals**	**Mortgage**	**Other**	**Corporate overhead**	**Total**
Revenue[1]	$ 251,809	$ 38,248	$ 53,098	$ 5,894	$ —	$ 349,049
Cost of revenue	177,698	7,901	46,316	5,898	—	237,813
Gross profit	74,111	30,347	6,782	(4)	—	111,236
Operating expenses						
Technology and development	27,696	14,871	1,904	1,189	1,162	46,822
Marketing	40,765	13,086	1,843	71	157	55,922
General and administrative	24,341	21,824	9,450	850	12,058	68,523
Restructuring and reorganization	—	—	—	—	12,406	12,406
Total operating expenses	92,802	49,781	13,197	2,110	25,783	183,673
Loss from continuing operations	(18,691)	(19,434)	(6,415)	(2,114)	(25,783)	(72,437)
Interest income, interest expense, income tax expense, and other expense, net	(123)	232	(35)	11	(2,171)	(2,086)
Net loss from continuing operations	$ (18,814)	$ (19,202)	$ (6,450)	$ (2,103)	$ (27,954)	$ (74,523)

(1) Included in revenue is $ 4,740 from providing services to our discontinued properties segment.

	Six Months Ended June 30, 2023					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
Revenue(1)	$ 307,937	$ 88,226	$ 74,915	$ 18,561	$ —	$ 489,639
Cost of revenue	235,941	20,192	63,479	11,699	—	331,311
Gross profit	71,996	68,034	11,436	6,862	—	158,328
Operating expenses						
Technology and development	56,939	32,268	1,377	2,342	1,878	94,804
Marketing	41,064	30,264	2,034	26	48	73,436
General and administrative	40,579	51,607	13,653	2,097	23,268	131,204
Restructuring and reorganization	—	—	—	—	7,159	7,159
Total operating expenses	138,582	114,139	17,064	4,465	32,353	306,603
(Loss) income from continuing operations	(66,586)	(46,105)	(5,628)	2,397	(32,353)	(148,275)
Interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net	—	73	(151)	268	63,563	63,753
Net (loss) income from continuing operations	$ (66,586)	$ (46,032)	$ (5,779)	$ 2,665	$ 31,210	$ (84,522)

(1) Included in revenue is $ 1,244 from providing services to our discontinued properties segment.

	Six Months Ended June 30, 2022					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
Revenue(1)	$ 429,295	$ 76,292	$ 56,015	$ 10,263	$ —	$ 571,865
Cost of revenue	331,482	15,094	51,834	10,570	—	408,980
Gross profit	97,813	61,198	4,181	(307)	—	162,885
Operating expenses						
Technology and development	54,435	29,154	4,251	2,225	2,278	92,343
Marketing	71,608	24,128	1,871	125	379	98,111
General and administrative	47,333	46,015	10,974	1,562	18,780	124,664
Restructuring and reorganization	—	—	—	—	18,115	18,115
Total operating expenses	173,376	99,297	17,096	3,912	39,552	333,233
Loss from continuing operations	(75,563)	(38,099)	(12,915)	(4,219)	(39,552)	(170,348)
Interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net	(123)	701	(35)	12	(6,678)	(6,123)
Net loss from continuing operations	$ (75,686)	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,230)	$ (176,471)

(1) Included in revenue is $ 9,963 from providing services to our discontinued properties segment.

Note 4: Financial Instruments

Derivatives

Our primary market exposure is to interest rate risk, specifically U.S. treasury and mortgage interest rates, due to their impact on mortgage-related assets and commitments. We use forward sales commitments on whole loans and mortgage-backed securities to manage and reduce this risk. We do not have any derivative instruments designated as hedging instruments.

Forward Sales Commitments—We are exposed to interest rate and price risk on loans held for sale from the funding date until the date the loan is sold. Forward sales commitments on whole loans and mortgage-backed securities are used to fix the forward sales price that will be realized at the sale of each loan.

Interest Rate Lock Commitments—Interest rate lock commitments ("IRLCs") represent an agreement to extend credit to a mortgage loan applicant. We commit (subject to loan approval) to fund the loan at the specified rate, regardless of changes in market interest rates between the commitment date and the funding date. Outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of commitment through the loan funding date or expiration date. Loan commitments generally range between 30 and 90 days and the borrower is not obligated to obtain the loan. Therefore, IRLCs are subject to fallout risk, which occurs when approved borrowers choose not to close on the underlying loans. We review our commitment-to-closing ratio ("pull-through rate") as part of an estimate of the number of mortgage loans that will fund according to the IRLCs.

Notional Amounts	June 30, 2023	December 31, 2022
Forward sales commitments	$ 438,508	$ 301,548
IRLCs	304,973	210,787

The locations and amounts of gains (losses) recognized in income related to our derivatives were as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
Instrument	Classification	2023	2022	2023	2022
Forward sales commitments	Revenue	$ 2,285	$ (9,870)	$ 2,032	$ (9,845)
IRLCs	Revenue	(5,302)	4,054	2,572	4,029

Fair Value of Financial Instruments

A summary of assets and liabilities related to our financial instruments, measured at fair value on a recurring basis and as reflected in our consolidated balance sheets, is set forth below:

	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 86,774	$ 86,774	$ —	$ —
Total cash equivalents	86,774	86,774	—	—
Short-term investments				
U.S. treasury securities	51,168	51,168	—	—
Agency bonds	49,475	49,475	—	—
Total short-term investments	100,643	100,643	—	—
Loans held for sale	233,550	—	233,550	—
Other current assets				
Forward sales commitments	1,916	—	1,916	—
IRLCs	4,163	—	—	4,163
Total other current assets	6,079	—	1,916	4,163
Mortgage servicing rights, at fair value	35,503	—	—	35,503
Long-term investments				
U.S. treasury securities	5,473	5,473	—	—
Total long-term investments	5,473	5,473	—	—
Total assets	$ 468,022	$ 192,890	$ 235,466	$ 39,666
Liabilities				
Accrued liabilities				
Forward sales commitments	$ 88	$ —	$ 88	$ —
IRLCs	293	—	—	293
Total liabilities	$ 381	$ —	$ 88	$ 293

	Balance at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 186,410	$ 186,410	$ —	$ —
Total cash equivalents	186,410	186,410	—	—
Short-term investments				
U.S. treasury securities	96,925	96,925	—	—
Agency bonds	25,334	25,334	—	—
Total short-term investments	122,259	122,259	—	—
Loans held for sale	199,604	—	199,604	—
Other current assets				
Forward sales commitments	1,669	—	1,669	—
IRLCs	2,338	—	—	2,338
Total other current assets	4,007	—	1,669	2,338
Mortgage servicing rights, at fair value	36,261	—	—	36,261
Long-term investments				
U.S. treasury securities	29,480	29,480	—	—
Total assets	$ 578,021	$ 338,149	$ 201,273	$ 38,599
Liabilities				
Accrued liabilities				
Forward sales commitments	$ 1,873	$ —	$ 1,873	$ —
IRLCs	1,041	—	—	1,041
Total liabilities	$ 2,914	$ —	$ 1,873	$ 1,041

There were no transfers into or out of Level 3 financial instruments during the periods presented.

The significant unobservable input used in the fair value measurement of IRLCs is the pull-through rate. Significant changes in the input could result in a significant change in fair value measurement.

The following is a quantitative summary of key unobservable inputs used in the valuation of IRLCs and Mortgage Servicing Rights ("MSRs"):

		June 30, 2023		December 31, 2022	
Key Inputs	**Valuation Technique**	**Range**	**Weighted-Average**	**Range**	**Weighted-Average**
IRLCs					
Pull-through rate	Market pricing	74.1% - 100.0%	91.9%	62.0% - 100.0%	91.0%
MSRs					
Prepayment speed	Discounted cash flow	6.0% - 12.0%	6.6%	6.0% - 14.4%	6.6%
Default rates	Discounted cash flow	0.1% - 0.6%	0.1%	0.0% - 0.5%	0.1%
Discount rate	Discounted cash flow	9.5% - 12.3%	9.6%	9.5% - 12.4%	9.6%

The following is a summary of changes in the fair value of IRLCs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance, net—beginning of period	$ 9,170	$ 243	$ 1,297	$ 1,155
IRLCs acquired in business combination	—	4,326	—	4,326
Issuances of IRLCs	13,168	18,017	29,131	20,300
Settlements of IRLCs	(16,353)	(14,099)	(26,591)	(17,268)
Fair value changes recognized in earnings	(2,115)	1,024	33	998
Balance, net—end of period	$ 3,870	$ 9,511	$ 3,870	$ 9,511

The following is a summary of changes in the fair value of MSRs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance—beginning of period	$ 35,061	$ —	$ 36,261	$ —
MSRs acquired in business combination	—	33,982	—	33,982
MSRs originated	232	964	579	964
MSRs sales	(399)	(774)	(738)	(774)
Fair value changes recognized in earnings	609	878	(599)	878
Balance, net—end of period	$ 35,503	$ 35,050	$ 35,503	$ 35,050

The following table presents the carrying amounts and estimated fair values of our convertible senior notes that are not recorded at fair value on our consolidated balance sheets:

	June 30, 2023		December 31, 2022	
Issuance	Net Carrying Amount	Estimated Fair Value	Net Carrying Amount	Estimated Fair Value
2023 notes	$ 23,506	$ 23,264	$ 23,431	$ 22,147
2025 notes	268,122	223,668	512,683	309,292
2027 notes	566,594	399,625	565,474	267,398

The difference between the principal amounts of our 2023 notes, our 2025 notes, and our 2027 notes, which were $ 23,512, $270,706, and $575,000, respectively, and the net carrying amounts of the notes represents the unamortized debt issuance costs. The estimated fair value of each tranche of convertible senior notes is based on the closing trading price of the notes on the last day of trading for the period and is classified as Level 2 within the fair value hierarchy due to the limited trading activity of the notes. Based on the closing price of our common stock of $12.42 on June 30, 2023, the if-converted values of all three convertible notes were less than the principal amounts, respectively. See Note 14 for additional details on our convertible senior notes.

See Note 10 for the carrying amount of our convertible preferred stock.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis include items such as property and equipment, goodwill and other intangible assets, and other assets. These assets are remeasured at fair value if determined to be impaired.

The cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of our cash, money market funds, restricted cash, available-for-sale investments, and equity securities were as follows:

	June 30, 2023							
	Fair Value Hierarchy	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Cash, Cash Equivalents, and Restricted Cash	Short-term Investments	Long-term Investments
Cash	N/A	$ 32,002	$ —	$ —	$ 32,002	$ 32,002	$ —	$ —
Money markets funds	Level 1	86,774	—	—	86,774	86,774	—	—
Restricted cash	N/A	2,377	—	—	2,377	2,377	—	—
U.S. treasury securities	Level 1	56,833	10	(202)	56,641	—	51,168	5,473
Agency bonds	Level 1	49,606	2	(133)	49,475	—	49,475	—
Total		$ 227,592	$ 12	$ (335)	$ 227,269	$ 121,153	$ 100,643	$ 5,473

	December 31, 2022							
	Fair Value Hierarchy	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Cash, Cash Equivalents, and Restricted Cash	Short-term Investments	Long-term Investments
Cash	N/A	$ 53,430	$ —	$ —	$ 53,430	$ 45,790	$ —	$ —
Money markets funds	Level 1	186,410	—	—	186,410	186,410	—	—
Restricted cash	N/A	2,406	—	—	2,406	2,406	—	—
U.S. treasury securities	Level 1	127,130	28	(753)	126,405	—	96,925	29,480
Agency bonds	Level 1	25,339	—	(5)	25,334	—	25,334	—
Total		$ 394,715	$ 28	$ (758)	$ 393,985	$ 234,606	$ 122,259	$ 29,480

We have evaluated our portfolio of available-for-sale debt securities based on credit quality indicators for expected credit losses and do not believe there are any expected credit losses. Our portfolio consists of U.S. government securities, all with a high-quality credit rating issued by various credit agencies.

As of June 30, 2023 and December 31, 2022, we had accrued interest of $ 487 and $576, respectively, on our available-for-sale investments, of which we have recorded no expected credit losses. Accrued interest receivable is recorded in other current assets in our consolidated balance sheets.

Note 5: Property and Equipment

The components of property and equipment were as follows:

	Useful Lives (Years)	June 30, 2023	December 31, 2022
Leasehold improvements	Shorter of lease term or economic life	$ 32,290	$ 32,262
Website and software development costs	2 - 3	65,506	62,963
Computer and office equipment	3 - 5	20,091	19,702
Software	3	1,858	1,871
Furniture	7	8,126	7,911
Property and equipment, gross		127,871	124,709
Accumulated depreciation and amortization		(87,395)	(76,597)
Construction in progress		8,765	6,827
Property and equipment, net		$ 49,241	$ 54,939

The following table summarizes depreciation and amortization and capitalized software development costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Depreciation and amortization for property and equipment	$ 7,382	$ 5,974	$ 14,563	$ 11,324
Capitalized software development costs, including stock-based compensation	4,291	4,423	8,846	10,291

Note 6: Leases

We lease office space under noncancelable operating leases with original terms ranging from one to 11 years and vehicles under noncancelable finance leases with terms of four years. Generally, the operating leases require a fixed minimum rent with contractual minimum rent increases over the lease term. The components of lease expense were as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
Lease Cost	**Classification**	2023	2022	2023	2022
Operating lease cost:					
Operating lease cost[(1)]	Cost of revenue	$ 3,103	$ 3,629	$ 6,417	$ 5,963
Operating lease cost[(1)]	Operating expenses	2,630	1,580	5,155	3,087
Total operating lease cost		$ 5,733	$ 5,209	$ 11,572	$ 9,050
Finance lease cost:					
Amortization of right-of-use assets	Cost of revenue	$ 15	$ 15	$ 31	$ 31
Interest on lease liabilities	Cost of revenue	1	2	3	4
Total finance lease cost		$ 16	$ 17	$ 34	$ 35

(1) Includes lease expense with initial terms of twelve months or less of $ 782 and $ 1,047 for the three months ended June 30, 2023 and 2022, respectively, and $ 1,630 and $ 1,423 for the six months ended June 30, 2023 and 2022, respectively.

	Lease Liabilities		Other Leases	
Maturity of Lease Liabilities	Operating	Financing	Operating	Total Lease Obligations
2023, excluding the six months ended June 30, 2023	$ 9,225	$ 26	$ 1,065	$ 10,316
2024	16,746	43	622	17,411
2025	12,703	22	279	13,004
2026	9,934	—	204	10,138
2027	5,045	—	90	5,135
Thereafter	836	—	70	906
Total lease payments	$ 54,489	$ 91	$ 2,330	$ 56,910
Less: Interest[(1)]	3,959	4		
Present value of lease liabilities	$ 50,530	$ 87		

(1) Includes interest on operating leases of $ 1,843 and financing lease of $ 3 within the next twelve months.

Lease Term and Discount Rate	June 30, 2023	December 31, 2022
Weighted-average remaining operating lease term (years)	3.5	3.6
Weighted-average remaining finance lease term (years)	1.9	2.4
Weighted-average discount rate for operating leases	4.5 %	4.5 %
Weighted-average discount rate for finance leases	5.4 %	5.4 %

Supplemental Cash Flow Information	Six Months Ended June 30, 2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 11,965	$ 9,567
Operating cash flows from finance leases	3	4
Financing cash flows from finance leases	25	24
Right of use assets obtained in exchange for lease liabilities		
Operating leases	$ 6,256	$ 1,745
Finance leases	—	477

Note 7: Commitments and Contingencies

Legal Proceedings

Below is a discussion of our material, pending legal proceedings. We cannot estimate a range of reasonably possible losses given the preliminary stage of these proceedings and the claims and issues presented. In addition to the matters discussed below, from time to time, we are involved in litigation, claims, and other proceedings arising in the ordinary course of our business. Except for the matters discussed below, we do not believe that any of our pending litigation, claims, and other proceedings are material to our business.

Lawsuit by David Eraker—On May 11, 2020, David Eraker, our co-founder and former chief executive officer who departed Redfin in 2006, filed a complaint through Appliance Computing III, Inc. (d/b/a Surefield) ("Surefield"), which is a company that Mr. Eraker founded and that we believe he controls, in the U.S. District Court for the Western District of Texas, Waco Division. The complaint alleged that we were infringing four patents claimed to be owned by Surefield without its authorization or license. Surefield sought an unspecified amount of damages and an injunction against us offering products and services that allegedly infringe the patents at issue. On May 17, 2022, the jury returned a verdict in our favor, finding that we did not infringe any of the asserted claims of the patents claimed to be owned by Surefield, and accordingly, we do not owe any damages to Surefield. The jury also found that all asserted claims of Surefield's claimed patents were invalid. The court entered final judgment on August 15, 2022. On September 12, 2022, Surefield filed a motion for judgment as a matter of law and a motion for a new trial. In the motions, Surefield asserts that no jury could have found non-infringement based on the trial record, among other things. We filed oppositions to the motions on October 3, 2022 and Surefield filed replies on October 21, 2022.

Lawsuits Alleging Misclassification—On August 28, 2019, Devin Cook, who was one of our former independent contractor licensed sales associates, whom we call associate agents, filed a complaint against us in the Superior Court of California, County of San Francisco. The plaintiff initially pled the complaint as a class action and alleged that we misclassified her as an independent contractor instead of an employee. The plaintiff also sought unspecified penalties pursuant to representative claims under California's Private Attorney General Act ("PAGA"). On January 30, 2020, the plaintiff filed a first amended complaint dismissing her class action claim and asserting only claims under PAGA.

On November 20, 2020, Jason Bell, who was one of our former lead agents as well as a former associate agent, filed a complaint against us in the U.S. District Court for the Southern District of California. The complaint was pled as a class action and alleges that, (1) during the time he served as an associate agent, we misclassified him as an independent contractor instead of an employee and (2) during the time he served as a lead agent, we misclassified him as an employee who was exempt from minimum wage and overtime laws. The plaintiff also asserted representative claims under PAGA. The plaintiff sought unspecified amounts of unpaid overtime wages, regular wages, meal and rest period compensation, waiting time and other penalties, injunctive and other equitable relief, and plaintiff's attorneys' fees and costs.

On May 23, 2022, pursuant to a combined mediation, we settled the lawsuits brought by Ms. Cook and Mr. Bell for an aggregate of $ 3,000. This amount is subject to adjustment if our actual number of associate agents, lead agents, or their respective workweeks differs from the number that we represented to the plaintiffs. This settlement is subject to court approval. On April 7, 2023, plaintiffs filed a motion for preliminary approval of the class settlements. The motion for preliminary approval of the class settlement was granted by the court on May 4, 2023.

Other Commitments

Our title and settlement business and our mortgage business each hold cash in escrow at third-party financial institutions on behalf of homebuyers and home sellers. As of June 30, 2023, we held $56,306 in escrow and did not record this amount on our consolidated balance sheets. We may be held contingently liable for the disposition of the cash we hold in escrow.

Note 8: Acquired Intangible Assets and Goodwill

Acquired Intangible Assets—The following table presents the gross carrying amount and accumulated amortization of intangible assets:

		June 30, 2023			December 31, 2022		
	Weighted-Average Useful Lives (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade names	9.3	$ 82,690	$ (19,573)	$ 63,117	$ 82,690	$ (14,856)	$ 67,834
Developed technology	3.3	66,340	(49,174)	17,166	66,340	(38,465)	27,875
Customer relationships	10	81,360	(18,865)	62,495	81,360	(14,797)	66,563
Total		$ 230,390	$ (87,612)	$ 142,778	$ 230,390	$ (68,118)	$ 162,272

Amortization expense amounted to $9,747 and $9,747 for the three months ended June 30, 2023 and 2022, respectively, and $ 19,494 and $18,673 for the six months ended June 30, 2023 and 2022, respectively.

The following table presents our estimate of remaining amortization expense for intangible assets that existed as of June 30, 2023:

2023, excluding the six months ended June 30, 2023	$ 19,494
2024	23,741
2025	17,618
2026	17,380
2027	15,633
Thereafter	48,912
Estimated remaining amortization expense	$ 142,778

Goodwill—The following table presents the carrying amount of goodwill by reportable segment:

	Real Estate Services	Rentals	Mortgage	Total
Balance as of June 30, 2023 and December 31, 2022	$ 250,231	$ 159,151	$ 51,967	$ 461,349

Note 9: Accrued and Other Liabilities

The components of accrued and other liabilities were as follows:

	June 30, 2023	December 31, 2022
Accrued compensation and benefits	$ 69,465	$ 74,079
Miscellaneous accrued liabilities	27,084	27,023
Customer contract liabilities	6,019	5,661
Total accrued and other liabilities	$ 102,568	$ 106,763

Note 10: Mezzanine Equity

On April 1, 2020, we issued 4,484,305 shares of our common stock, at a price of $ 15.61 per share, and 40,000 shares of our preferred stock, at a price of $1,000 per share, for aggregate gross proceeds of $ 110,000. We designated this preferred stock as Series A Convertible Preferred Stock (our "convertible preferred stock"). Our convertible preferred stock is classified as mezzanine equity in our consolidated financial statements as the substantive conversion features at the option of the holder precludes liability classification. We have determined there are no material embedded features that require recognition as a derivative asset or liability.

We allocated the gross proceeds of $ 110,000 to the common stock issuance and the convertible preferred stock issuance based on the standalone fair value of the issuances, resulting in a fair valuation of $40,000 for the preferred stock, which is also the value of the mandatory redemption amount.

As of June 30, 2023, the carrying value of our convertible preferred stock, net of issuance costs, is $ 39,936, and holders have earned unpaid stock dividends in the amount of 30,640 shares of common stock. This stock dividend was issued on July 3, 2023. These shares are included in basic and diluted net loss per share attributable to common stock in Note 13. As of June 30, 2023, no shares of the preferred stock have been converted, and the preferred stock was not redeemable, nor probable to become redeemable in the future as there is a more than remote chance the shares will be automatically converted prior to the mandatory redemption date. The number of shares of common stock reserved for future issuance resulting from dividends, conversion, or redemption with respect to the preferred stock was 2,622,177 as of the issuance date.

Dividends—The holders of our convertible preferred stock are entitled to dividends. Dividends accrue daily based on a 360-day fiscal year at a rate of 5.5% per annum based on the issue price and are payable quarterly in arrears on the first business day following the end of each calendar quarter. Assuming we satisfy certain conditions, we will pay dividends in shares of common stock at a rate of the dividend payable divided by $17.95. If we do not satisfy such conditions, we will pay dividends in a cash amount equal to (i) the dividend shares otherwise issuable on the dividends multiplied by (ii) the volume-weighted average closing price of our common stock for the ten trading days preceding the date the dividends are payable.

Participation Rights—Holders of our convertible preferred stock are entitled to dividends paid and distributions made to holders of our common stock to the same extent as if such preferred stockholders had converted their shares of preferred stock into common stock and held such shares on the record date for such dividends and distributions.

Conversion—Holders may convert their convertible preferred stock into common stock at any time at a rate per share of preferred stock equal to the issue price divided by $19.51 (the "conversion price"). A holder that converts will also receive any dividend shares resulting from accrued dividends.

Our convertible preferred stock may also be automatically converted to shares of our common stock. If the closing price of our common stock exceeds $27.32 per share following April 1, 2023 until 30 trading days prior to November 30, 2024, for each day of any 30 consecutive trading days, then each outstanding share of preferred stock will automatically convert into a number of shares of our common stock at a rate per share of preferred stock equal to the issue price divided by the conversion price. Upon an automatic conversion, a holder will also receive any dividend shares resulting from accrued dividends.

Redemption—On November 30, 2024, we will be required to redeem any outstanding shares of our convertible preferred stock, and each holder may elect to receive cash, shares of common stock, or a combination of cash and shares. If a holder elects to receive cash, we will pay, for each share of preferred stock, an amount equal to the issue price plus any accrued dividends. If a holder elects to receive shares, we will issue, for each share of preferred stock, a number of shares of common stock at a rate of the issue price divided by the conversion price plus any dividend shares resulting from accrued dividends.

A holder of our convertible preferred stock has the right to require us to redeem up to all shares of preferred stock it holds following certain events outlined in the document governing the preferred stock. If a holder redeems as the result of such events, such holder may elect to receive cash or shares of common stock, as calculated in the same manner as the mandatory redemption described above. Additionally, such holder will also receive, in cash or shares of common stock as elected by the holder, an amount equal to all scheduled dividend payments on the preferred stock for all remaining dividend periods from the date the holder gives its notice of redemption.

Liquidation Rights—Upon our liquidation, dissolution, or winding up, holders of our convertible preferred stock will be entitled to receive cash out of our assets prior to holders of the common stock.

Note 11: Equity and Equity Compensation Plans

Common Stock—As of June 30, 2023 and December 31, 2022, our amended and restated certificate of incorporation authorized us to issue 500,000,000 shares of common stock with a par value of $ 0.001 per share.

Preferred Stock—As of June 30, 2023 and December 31, 2022, our amended and restated certificate of incorporation authorized us to issue 10,000,000 shares of preferred stock with a par value of $ 0.001 per share.

Amended and Restated 2004 Equity Incentive Plan—We granted options under our 2004 Equity Incentive Plan, as amended (our "2004 Plan"), until July 26, 2017, when we terminated it in connection with our initial public offering. Accordingly, no shares are available for future issuance under our 2004 Plan. Our 2004 Plan continues to govern outstanding equity awards granted thereunder. The term of each stock option under the plan is no more than 10 years, and each stock option generally vests over a four-year period.

2017 Equity Incentive Plan—Our 2017 Equity Incentive Plan (our "2017 EIP") became effective on July 26, 2017, and provides for the issuance of incentive and nonqualified common stock options and restricted stock units to employees, directors, and consultants. The number of shares of common stock initially reserved for issuance under our 2017 EIP was 7,898,159. The number of shares reserved for issuance under our 2017 EIP will increase automatically on January 1 of each calendar year beginning on January 1, 2018, and continuing through January 1, 2028, by the number of shares equal to the lesser of 5% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. The term of each stock option and restricted stock unit under the plan will not exceed 10 years, and each award generally vests between two and four years.

We have reserved shares of common stock for future issuance under our 2017 EIP as follows:

	June 30, 2023	December 31, 2022
Stock options issued and outstanding	2,683,718	3,282,789
Restricted stock units outstanding	15,590,985	15,731,632
Shares available for future equity grants	11,106,336	7,951,616
Total shares reserved for future issuance	29,381,039	26,966,037

2017 Employee Stock Purchase Plan—Our 2017 Employee Stock Purchase Plan (our "ESPP") was approved by our board of directors on July 27, 2017 and enables eligible employees to purchase shares of our common stock at a discount. Purchases will be accomplished through participation in discrete offering periods. We initially reserved 1,600,000 shares of common stock for issuance under our ESPP. The number of shares reserved for issuance under our ESPP will increase automatically on January 1 of each calendar year beginning after the first offering date and continuing through January 1, 2028, by the number of shares equal to the lesser of 1% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. On each purchase date, eligible employees will purchase our common stock at a price per share equal to 85% of the lesser of (i) the fair market value of our common stock on the first trading day of the offering period and (ii) the fair market value of our common stock on the purchase date.

We have reserved shares of common stock for future issuance under our ESPP as follows:

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Shares available for issuance at beginning of period	4,695,361	5,865,467
Shares issued during the period	(1,150,703)	(1,170,106)
Total shares available for future issuance at end of period	3,544,658	4,695,361

Stock Options—Option activity for the six months ended June 30, 2023 was as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2023	3,282,789	$ 9.10	2.90	$ 1,145
Options exercised	(563,164)	2.56		
Options expired	(35,907)	9.93		
Outstanding as of June 30, 2023	2,683,718	10.46	2.89	9,783
Options exercisable as of June 30, 2023	2,683,718	10.46	2.89	9,783

The grant date fair value of our stock options was recorded as stock-based compensation over the stock options' vesting period. All outstanding options were fully vested as of June 30, 2023. We did not recognize any option-related expense during the six months ended June 30, 2023.

Restricted Stock Units—Restricted stock unit activity for the six months ended June 30, 2023 was as follows:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding as of January 1, 2023	15,731,632	$ 11.53
Granted	4,614,736	9.41
Vested	(3,568,639)	13.18
Forfeited or canceled	(1,186,744)	12.03
Outstanding or deferred as of June 30, 2023[1]	15,590,985	10.49

(1) Starting with the restricted stock units granted to them in June 2019, our non-employee directors have the option to defer the issuance of common stock receivable upon vesting of such restricted stock units until 60 days following the day they are no longer providing services to us or, if earlier, upon a change in control transaction. The amount reported as vested excludes restricted stock units that have vested but whose settlement into shares has been deferred. The amount reported as outstanding or deferred as of June 30, 2023 includes these restricted stock units. As no further conditions exist to prevent the issuance of the shares of common stock underlying these restricted stock units, the shares are included in basic and diluted weighted shares outstanding used to calculate net loss per share attributable to common stock. The amount of shares whose issuance have been deferred is not considered material and is not reported separately from stock-based compensation in our consolidated statements of changes in mezzanine equity and stockholders' equity.

The grant date fair value of restricted stock units is recorded as stock-based compensation over the vesting period. As of June 30, 2023, there was $137,449 of total unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted-average period of 2.39 years.

As of June 30, 2023, there were 2,343,777 restricted stock units subject to performance and market conditions ("PSUs") at 100% of the target level. Depending on our achievement of the performance and market conditions, the actual number of shares of common stock issuable upon vesting of PSUs will range from 0% to 200% of the target amount. For each PSU recipient, the awards will vest only if the recipient is continuing to provide service to us upon our board of directors, or its compensation committee, certifying that we have achieved the PSU's related performance or market conditions. Stock-based compensation expense for PSUs with performance conditions is recognized when it is probable that the performance conditions will be achieved. For PSUs with market conditions, the market condition is reflected in the grant-date fair value of the award and the expense is recognized over the life of the award.

Stock-based compensation expense associated with the PSUs was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
PSU expense	$ 1,731	$ 976	$ 3,380	$ 1,669
Expense due to reassessment of achievement related to prior periods	(586)	—	(390)	—
Total expense	$ 1,145	$ 976	$ 2,990	$ 1,669

Compensation Cost—Stock-based compensation, net of forfeitures and the amount capitalized in website and software development costs were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 3,001	$ 3,615	$ 7,136	$ 6,605
Technology and development(1)	8,241	6,768	16,368	13,877
Marketing	1,254	894	2,499	1,937
General and administrative	5,025	4,009	10,345	8,118
Stock-based compensation from continuing operations	17,521	15,286	36,348	30,537
Stock-based compensation from discontinued operations(1)	31	1,527	234	3,064
Total stock-based compensation	$ 17,552	$ 16,813	$ 36,582	$ 33,601

(1) Net of $ 1,070 and $919 of stock-based compensation that was capitalized in the three months ended June 30, 2023 and 2022, respectively, and $ 2,204 and $2,053 for the six months ended June 30, 2023 and 2022, respectively.

Note 12: Net Loss from Continuing Operations per Share Attributable to Common Stock

Net loss from continuing operations per share attributable to common stock is computed by dividing the net loss from continuing operations attributable to common stock by the weighted-average number of common shares outstanding. We have outstanding stock options, restricted stock units, options to purchase shares under our ESPP, convertible preferred stock, and convertible senior notes, which are considered in the calculation of diluted net loss from continuing operations per share whenever doing so would be dilutive.

We calculate basic and diluted net loss from continuing operations per share attributable to common stock in conformity with the two-class method required for companies with participating securities. We consider our convertible preferred stock to be participating securities. Under the two-class method, net loss from continuing operations attributable to common stock is not allocated to the preferred stock as its holders do not have a contractual obligation to share in losses, as discussed in Note 11.

The calculation of basic and diluted net loss from continuing operations per share attributable to common stock was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss from continuing operations	$ (27,212)	$ (74,523)	$ (84,522)	$ (176,471)
Dividends on convertible preferred stock	(297)	(350)	(523)	(1,144)
Net loss from continuing operations attributable to common stock—basic and diluted	$ (27,509)	$ (74,873)	$ (85,045)	$ (177,615)
Denominator:				
Weighted-average shares—basic and diluted[(1)]	111,678,417	107,396,575	110,895,358	107,032,381
Net loss from continuing operations per share attributable to common stock—basic and diluted	$ (0.25)	$ (0.70)	$ (0.77)	$ (1.66)

(1) Basic and diluted weighted-average shares outstanding include (i) common stock earned but not yet issued related to share-based dividends on our convertible preferred stock, and (ii) restricted stock units that have vested but whose settlement into common stock were deferred at the option of certain non-employee directors.

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss from continuing operations per share for the periods presented because their effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
2023 notes as if converted	769,623	769,623	769,623	769,623
2025 notes as if converted	3,733,577	9,119,960	3,733,577	9,119,960
2027 notes as if converted	6,147,900	6,147,900	6,147,900	6,147,900
Convertible preferred stock as if converted	2,040,000	2,040,000	2,040,000	2,040,000
Stock options outstanding	2,683,718	3,513,601	2,683,718	3,513,601
Restricted stock units outstanding[(1)(2)]	15,552,547	10,119,140	15,552,547	10,119,140
Total	30,927,365	31,710,224	30,927,365	31,710,224

(1) Excludes 2,343,777 incremental PSUs that could vest, assuming applicable performance criteria and market conditions are achieved at 200% of target, which is the maximum achievement level. See Note 11 for additional information regarding PSUs.
(2) Excludes 38,438 restricted stock units that have vested but whose settlement into common stock were deferred at the option of certain non-employee directors as of June 30, 2023.

Note 13: Income Taxes

During the six months ended June 30, 2023, we recorded an income tax expense of $ 643 as a component of continuing operations, resulting in an effective tax rate of (0.76)% with respect to continuing operations, and an effective tax rate of (0.72)% with respect to our total net loss from both continuing and discontinued operations, which is primarily a result of current state income taxes. Our current income tax expense was supplemented by deferred tax expenses associated with increases to indefinite-lived deferred tax liabilities created through the Company's April 2, 2021 acquisition of Rent., and April 1, 2022 acquisition of Bay Equity. Our June 30, 2022 effective tax rate of (0.17)% is primarily a result of current state income taxes which were partially offset by a deferred tax benefit resulting from a reduction to deferred tax liabilities originally created through our April 2, 2021 acquisition of Rent.

In determining the realizability of the net U.S. federal and state deferred tax assets, we consider numerous factors including historical profitability, estimated future taxable income, prudent and feasible tax planning strategies, and the industry in which we operate. Management reassesses the realization of the deferred tax assets each reporting period, which resulted in a valuation allowance against the full amount of our U.S. deferred tax assets for the six months ended June 30, 2023 and 2022. To the extent that the financial results of our U.S. operations improve in the future and the deferred tax assets become realizable, we will reduce the valuation allowance through earnings.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, substantial changes in our ownership may limit the amount of net operating loss ("NOL") and income tax credit carryforwards that could be utilized annually in the future to offset taxable income and income tax liabilities. Any such annual limitation may significantly reduce the utilization of the NOLs and income tax credits before they expire. A Section 382 limitation study performed as of March 31, 2017 determined that we experienced an ownership change in 2006 with $1,506 of the 2006 NOL and $ 32 of the 2006 research and development tax credit unavailable for future use. Furthermore, in connection with our acquisition of Rent., Rent. experienced an ownership change that triggered Section 382. As of September 30, 2021, Rent. completed a Section 382 limitation study and, based on this analysis, we do not expect a reduction in the availability of Rent.'s pre-change NOLs for future use.

As of December 31, 2022, we had accumulated approximately $ 651,498 of federal net operating losses, approximately $ 34,718 (tax effected) of state net operating losses, and approximately $5,255 of foreign net operating losses. Federal net operating losses are available to offset federal taxable income and begin to expire in 2023, with net operating loss carryforwards of $413,145 generated after 2017 available to offset future U.S. federal taxable income over an indefinite period.

Net research and development credit carryforwards of $ 23,240 are available as of December 31, 2022 to reduce future liabilities. The research and development credit carryforwards begin to expire in 2026.

Deductible but limited federal business interest expense carryforwards of $ 145,296 are available as of December 31, 2022 to offset future U.S. federal taxable income over an indefinite period.

Our material income tax jurisdiction is the United States (federal) and Canada (foreign). As a result of NOL carryforwards, we are subject to audit for all tax years for federal purposes. All tax years remain subject to examination in various other jurisdictions that are not material to our consolidated financial statements.

Note 14: Debt

Warehouse Credit Facilities—To provide capital for the mortgage loans that it originates, our mortgage segment utilizes warehouse credit facilities that are classified as current liabilities in our consolidated balance sheets. Borrowings under each warehouse credit facility are secured by the related mortgage loan and rights and income associated with the loan. The following table summarizes borrowings under these facilities as of the periods presented:

	June 30, 2023			December 31, 2022		
Lender	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings
City National Bank	$ 75,000	$ 32,140	7.01 %	$ 75,000	$ 27,288	5.89 %
Comerica Bank	75,000	6,636	7.22 %	75,000	26,526	6.36 %
Origin Bank	75,000	35,128	7.01 %	75,000	23,739	5.98 %
M&T Bank	50,000	24,298	7.21 %	50,000	19,126	6.45 %
Prosperity Bank	100,000	45,688	7.05 %	100,000	35,856	6.18 %
Republic Bank & Trust Company	75,000	48,868	7.15 %	75,000	26,636	5.81 %
Wells Fargo Bank, N.A.	100,000	35,043	7.23 %	100,000	31,338	6.41 %
Total	$ 550,000	$ 227,801		$ 550,000	$ 190,509	

Convertible Senior Notes—We have issued convertible senior notes with the following characteristics:

Issuance	Maturity Date	Stated Cash Interest Rate	Effective Interest Rate	First Interest Payment Date	Semi-Annual Interest Payment Dates	Conversion Rate
2023 notes	July 15, 2023	1.75 %	2.45 %	January 15, 2019	January 15; July 15	32.7332
2025 notes	October 15, 2025	— %	0.42 %	—	—	13.7920
2027 notes	April 1, 2027	0.50 %	0.90 %	October 1, 2021	April 1; October 1	10.6920

We issued our 2023 notes on July 23, 2018, with an aggregate principal amount of $ 143,750. Subsequent to the issuance date, we repurchased or settled conversions of an aggregate of $120,238 of our 2023 notes. On July 20, 2021, our 2023 notes became redeemable by us, but we did not exercise our redemption right during the three months ended June 30, 2023. The 2023 notes were fully repaid in cash on July 15, 2023.

We issued our 2025 notes on October 20, 2020, with an aggregate principal amount of $ 661,250. In the three months ended June 30, 2023, we repurchased and retired approximately $95,800 in aggregate principal amount of our 2025 notes at a price of $ 74,746 using available cash. In connection with these repurchases, we recorded a gain on extinguishment of debt of $20,082 for the three months ended June 30, 2023. In the six months ended June 30, 2023, we repurchased and retired approximately $248,022 in aggregate principal amount of our 2025 notes at a price of $ 183,020 using available cash. In connection with these repurchases, we recorded a gain on extinguishment of debt of $62,352 for the six months ended June 30, 2023.

We issued our 2027 notes on March 25, 2021 and April 5, 2021, with an aggregate principal amount of $ 575,000.

The components of our convertible senior notes were as follows:

	June 30, 2023		
Issuance	Aggregate Principal Amount	Unamortized Debt Issuance Costs	Net Carrying Amount
2023 notes	$ 23,512	$ 6	$ 23,506
2025 notes	270,706	2,584	268,122
2027 notes	575,000	8,406	566,594

	December 31, 2022		
Issuance	Aggregate Principal Amount	Unamortized Debt Issuance Costs	Net Carrying Amount
2023 notes	$ 23,512	$ 81	$ 23,431
2025 notes	518,728	6,045	512,683
2027 notes	575,000	9,526	565,474

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
2023 notes								
Contractual interest expense	$	103	$	103	$	206	$	206
Amortization of debt issuance costs		38		38		75		75
Total interest expense	$	141	$	141	$	281	$	281
2025 notes								
Contractual interest expense		—		—		—		—
Amortization of debt issuance costs		1,306		690		3,462		1,380
Total interest expense	$	1,306	$	690	$	3,462	$	1,380
2027 notes								
Contractual interest expense		719		719		1,438		1,438
Amortization of debt issuance costs		560		560		1,120		1,120
Total interest expense	$	1,279	$	1,279	$	2,558	$	2,558
Total								
Contractual interest expense		822		822		1,644		1,644
Amortization of debt issuance costs		1,904		1,288		4,657		2,575
Total interest expense	$	2,726	$	2,110	$	6,301	$	4,219

Conversion of Our Convertible Senior Notes

Prior to the free conversion date, a holder of each tranche of our convertible senior notes may convert its notes in multiples of $1,000 principal amount only if one or more of the conditions described below is satisfied. On or after the free conversion date, a holder may convert its notes in such multiples without any conditions. The free conversion date is July 15, 2025 for our 2025 notes and January 1, 2027 for our 2027 notes.

The conditions are:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the applicable notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day;
- if we call any or all of the applicable notes for redemption, at any time prior to the close of business on the scheduled trading day prior to the redemption date; or
- upon the occurrence of specified corporate events.

We intend to settle any future conversions of our convertible senior notes by paying or delivering, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We apply the if-converted method to calculate diluted earnings per share when applicable. Under the if-converted method, the denominator of the diluted earnings per share calculation is adjusted to reflect the full number of common shares issuable upon conversion, while the numerator is adjusted to add back interest expense for the period.

Classification of Our Convertible Senior Notes

2027 Capped Calls—In 2021, and in connection with the pricing of our 2027 notes, we entered into capped call transactions with certain counterparties (the “2027 capped calls”). The 2027 capped calls have initial strike prices of $93.53 per share and initial cap prices of $ 138.56 per share, in each case subject to certain adjustments. Conditions that cause adjustments to the initial strike price and initial cap price of the 2027 capped calls are similar to the conditions that result in corresponding adjustments to the conversion rate for our 2027 notes. The 2027 capped calls cover, subject to anti-dilution adjustments, 6,147,900 shares of our common stock and are generally intended to reduce or offset the potential dilution to our common stock upon any conversion of the 2027 notes, with such reduction or offset, as the case may be, subject to a cap based on the cap price. The 2027 capped calls are separate transactions, and not part of the terms of our 2027 notes. As these instruments meet certain accounting criteria, the 2027 capped calls are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of $62,647 incurred in connection with the 2027 capped calls was recorded as a reduction to additional paid-in capital.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements, the accompanying notes, and other information included in this quarterly report and our annual report for the year ended December 31, 2022. In particular, the disclosure contained in Item 1A in our annual report, as updated by Part II, Item 1A in this quarterly report, may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources.

The following discussion contains forward-looking statements, such as statements regarding our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements. The following discussion also contains information using industry publications. Please see "Note Regarding Industry and Market Data" for more information about relying on these industry publications.

When we use the term "basis points" in the following discussion, we refer to units of one-hundredth of one percent.

Overview

We help people buy and sell homes. Representing customers in over 100 markets in the United States and Canada, we are a residential real estate brokerage. We pair our own agents with our own technology to create a service that is faster, better, and costs less. We meet customers through our listings-search website and mobile application.

We use the same combination of technology and local service to originate and service mortgage loans and offer title and settlement services. We use digital platforms to connect consumers with available apartments and houses for rent.

Our mission is to redefine real estate in the consumer's favor.

Adverse Macroeconomic Conditions and Our Associated Actions

Beginning in the second quarter of 2022 and continuing through the second quarter of 2023, a number of economic factors adversely impacted the residential real estate market, including higher mortgage interest rates, lower consumer sentiment, increased inflation, and declining financial market conditions. This shift in the macroeconomic backdrop had an adverse impact on consumer demand for our services, as consumers weighed the financial implications of selling or purchasing a home and taking out a mortgage. Our real estate services transaction volume decreased by 27% in the third and fourth quarters of 2022, compared to the prior year. This stands in contrast to the 2% that our real estate services transaction volume decreased in the first and second quarters of 2022, compared to the prior year. Bay Equity also experienced significant declines in loan volumes beginning in the second quarter of 2022, particularly from refinancing prior mortgages.

In response to these macroeconomic and consumer demand developments, we took action to adjust our operations and manage our business towards longer-term profitability despite these adverse macroeconomic factors.

In June 2022, we laid off 442 employees, which represented approximately eight percent of total employees. In November 2022, we laid off 862 employees, which represented 13% of total employees. In April 2023, we laid off 200 employees, which represented four percent of total employees. From April 2022, after completing the acquisition of Bay Equity, through the end of June 2023, through involuntary reductions and attrition, we reduced our total number of employees by 35%, including a reduction in lead agents of 35%. These workforce reductions were intended to align the size of our operations with the level of consumer demand for our services at that time.

Also in November of 2022, we decided to wind-down our properties segment, which included RedfinNow. This was a strategic decision we made in order to focus our resources on our core business in the face of the rising cost of capital. We completed the wind-down of our properties segment in the second quarter of 2023. Results for the properties segment are now reported in discontinued operations for all periods presented. The following discussion and analysis of our financial condition and results of operations include our continued operations for all periods presented.

Key Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, develop financial forecasts, and make strategic decisions.

	Three Months Ended							
	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
Monthly average visitors (in thousands)	52,308	50,440	43,847	50,785	52,698	51,287	44,665	49,147
Real estate services transactions								
Brokerage	13,716	10,301	12,743	18,245	20,565	15,001	19,428	21,929
Partner	3,952	3,187	2,742	3,507	3,983	3,417	4,603	4,755
Total	17,668	13,488	15,485	21,752	24,548	18,418	24,031	26,684
Real estate services revenue per transaction								
Brokerage	$ 12,376	$ 11,556	$ 10,914	$ 11,103	$ 11,692	$ 11,191	$ 10,900	$ 11,107
Partner	2,756	2,592	2,611	2,556	2,851	2,814	2,819	2,990
Aggregate	10,224	9,438	9,444	9,725	10,258	9,637	9,352	9,661
U.S. market share by units(1)	0.75 %	0.79 %	0.76 %	0.80 %	0.83 %	0.79 %	0.78 %	0.78 %
Revenue from top-10 Redfin markets as a percentage of real estate services revenue	55 %	53 %	57 %	58 %	59 %	57 %	61 %	62 %
Average number of lead agents	1,792	1,876	2,022	2,293	2,640	2,750	2,485	2,370
Mortgage originations by dollars (in millions)	$ 1,282	$ 991	$ 1,036	$ 1,557	$ 1,565	$ 159	$ 242	$ 258
Mortgage originations by units (in ones)	3,131	2,444	2,631	3,720	3,860	414	591	671

(1) Prior to the second quarter of 2022, we reported our U.S. market share based on the aggregate home value of our real estate services transactions, relative to the aggregate value of all U.S. home sales, which we computed based on the mean sale price of U.S. homes provided by the National Association of REALTORS® ("NAR"). Beginning in the second quarter of 2022, NAR (1) revised its methodology of computing the mean sale price, (2) restated its previously reported mean sale price beginning from January 2020 (and indicated that previously reported mean sale price prior to January 2020 is not comparable), and (3) discontinued publication of the mean sale price as part of its primary data set. Due to these changes, as of the second quarter of 2022, we report our U.S. market share based on the number of homes sold, rather than the dollar value of homes sold. Our market share by number of homes sold has historically been lower than our market share by dollar value of homes sold. We also stopped reporting the aggregate home value of our real estate services transactions.

Monthly Average Visitors

The number of, and growth in, visitors to our website and mobile application are important leading indicators of our business activity because these channels are the primary ways we meet customers. The number of visitors is influenced by, among other things, market conditions that affect interest in buying or selling homes, the level and success of our marketing programs, seasonality, and how our website appears in search results. We believe we can continue to increase visitors, which helps our growth.

Given the lengthy process to buy or sell a home, a visitor during one month may not convert to a revenue-generating customer until many months later, if at all.

When we refer to "monthly average visitors" for a particular period, we are referring to the average number of unique visitors to our website and our mobile applications for each of the months in that period, as measured by Google Analytics, a product that provides digital marketing intelligence. Google Analytics tracks visitors using cookies, with a unique cookie being assigned to each browser or mobile application on a device. For any given month, Google Analytics counts all of the unique cookies that visited our website and mobile applications during that month. Google Analytics considers each unique cookie as a unique visitor. Due to third-party technological limitations, user software settings, or user behavior, it is possible that Google Analytics may assign a unique cookie to different visits by the same person to our website or mobile application. In such instances, Google Analytics would count different visits by the same person as separate visits by unique visitors. Accordingly, reliance on the number of unique cookies counted by Google Analytics may overstate the actual number of unique persons who visit our website or our mobile applications for a given month.

Our monthly average visitors exclude visitors to Rent.'s websites and mobile applications.

Real Estate Services Transactions

We record a brokerage real estate services transaction when one of our lead agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home. We record a partner real estate services transaction (i) when one of our partner agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home or (ii) when a Redfin customer sold his or her home to a third-party institutional buyer following our introduction of that customer to the buyer. We include a single transaction twice when our lead agents or our partner agents serve both the homebuyer and the home seller of the transaction. Additionally, when one of our lead agents represents RedfinNow in its sale of a home, we include that transaction as a brokerage real estate services transaction.

Increasing the number of real estate services transactions is critical to increasing our revenue and, in turn, to achieving profitability. Real estate services transaction volume is influenced by, among other things, the pricing and quality of our services as well as market conditions that affect home sales, such as local inventory levels and mortgage interest rates. Real estate services transaction volume is also affected by seasonality and macroeconomic factors.

Real Estate Services Revenue per Transaction

Real estate services revenue per transaction, together with the number of real estate services transactions, is a factor in evaluating revenue growth. We also use this metric to evaluate pricing changes. Changes in real estate services revenue per transaction can be affected by, among other things, our pricing, the mix of transactions from homebuyers and home sellers, changes in the value of homes in the markets we serve, the geographic mix of our transactions, and the transactions we refer to partner agents and any third-party institutional buyer. We calculate real estate services revenue per transaction by dividing brokerage, partner, or aggregate revenue, as applicable, by the corresponding number of real estate services transactions in any period.

We generally generate more real estate services revenue per transaction from representing homebuyers than home sellers. However, we believe that representing home sellers has unique strategic value, including the marketing power of yard signs and other campaigns, and the market effect of controlling listing inventory.

Prior to July 2022, homebuyers who purchased their home using our brokerage services would receive a commission refund in a substantial majority of our markets. In July 2022, we began a pilot program in certain of those markets to eliminate our commission refund. Since this pilot was successful, we eliminated our commission refund in all markets in December 2022. The average refund per transaction for a homebuyer was $1,336 in 2022. We expect that elimination of our commission refund in all markets will increase our real estate services revenue per transaction, although this metric is also impacted by the factors discussed above.

U.S. Market Share by Units

Increasing our U.S. market share by units is critical to our ability to grow our business and achieve profitability over the long term. We believe there is a significant opportunity to increase our share in the markets we currently serve.

We calculate our market share by aggregating the number of brokerage and partner real estate services transactions. We then divide that number by two times the aggregate number of U.S. home sales, in order to account for both the sell- and buy-side components of each home sale. We obtain the aggregate number of U.S. home sales from the National Association of REALTORS® ("NAR"). NAR data for the most recent period is preliminary and may subsequently be updated.

Revenue from Top-10 Markets as a Percentage of Real Estate Services Revenue

Our top-10 markets by real estate services revenue are the metropolitan areas of Boston, Chicago, Dallas, Denver (including Boulder and Colorado Springs), Los Angeles (including Santa Barbara), Maryland, Northern Virginia, Portland (including Bend), San Francisco, and Seattle. This metric is an indicator of the geographic concentration of our real estate services segment. We expect our revenue from top-10 markets to decline as a percentage of our total real estate services revenue over time.

Average Number of Lead Agents

The average number of lead agents, in combination with our other key metrics such as the number of brokerage transactions, is a basis for calculating agent productivity and is one indicator of the potential future growth of our business. We systematically evaluate traffic to our website and mobile application and customer activity to anticipate changes in customer demand, helping determine when and where to hire lead agents.

We calculate the average number of lead agents by taking the average of the number of lead agents at the end of each month included in the period.

Mortgage Originations

Mortgage originations is the volume of mortgage loans originated by our mortgage business, measured by both dollar value of loans and number of loans. This volume is an indicator for the growth of our mortgage business. Mortgage originations is affected by mortgage interest rates, the ability of our mortgage loan officers to close loans, and the number of our homebuyer customers who use our mortgage business for a mortgage loan, among other factors.

Prior to April 1, 2022, our mortgage business consisted solely of Redfin Mortgage, LLC. From April 1, 2022 through June 30, 2022, our mortgage business consisted of both Bay Equity LLC and Redfin Mortgage, LLC. We dissolved Redfin Mortgage, LLC on June 30, 2022, and since that time, our mortgage business has consisted solely of Bay Equity LLC.

Components of Our Results of Operations

Revenue

We generate revenue primarily from commissions and fees charged on each real estate services transaction closed by our lead agents or partner agents, from subscription-based product offerings for our rentals business, and from the origination, sales, and servicing of mortgages.

Real Estate Services Revenue

Brokerage Revenue—Brokerage revenue includes our offer and listing services, where our lead agents represent homebuyers and home sellers. We recognize commission-based brokerage revenue upon closing of a brokerage transaction, less the amount of any commission refunds, closing-cost reductions, or promotional offers that may result in a material right. Brokerage revenue is affected by the number of brokerage transactions we close, the mix of brokerage transactions, home-sale prices, commission rates, and the amount we give to customers.

Partner Revenue—Partner revenue consists of fees paid to us from partner agents or under other referral agreements, less the amount of any payments we make to homebuyers and home sellers. We recognize these fees as revenue on the closing of a transaction. Partner revenue is affected by the number of partner transactions closed, home-sale prices, commission rates, and the amount we refund to customers. If the portion of customers we introduce to our own lead agents increases, we expect the portion of revenue closed by partner agents to decrease.

Rentals Revenue

Rentals Revenue—Rentals revenue is primarily composed of subscription-based product offerings for internet listing services, as well as lead management and digital marketing solutions.

Mortgage Revenue

Mortgage Revenue—Mortgage revenue includes fees from the origination and subsequent sale of loans, loan servicing income, interest income on loans held for sale, origination of IRLCs, and the changes in fair value of our IRLCs, forward sales commitments, loans held for sale, and MSRs.

Other Revenue

Other Revenue—Other services revenue includes fees earned from title settlement services, Walk Score data services, and advertising. Substantially all fees and revenue from other services are recognized when the service is provided.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of personnel costs (including base pay, benefits, and stock-based compensation), transaction bonuses, home-touring and field expenses, listing expenses, customer fulfillment costs related to our rentals segment, office and occupancy expenses, interest expense on our mortgage related warehouse facilities, and depreciation and amortization related to fixed assets and acquired intangible assets.

Gross profit is revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin has and will continue to be affected by a number of factors, but the most important are the mix of revenue from our segments, real estate services revenue per transaction, agent and support-staff productivity, and personnel costs and transaction bonuses.

Operating Expenses

Technology and Development

Our primary technology and development expenses are building software for our customers, lead agents, and support staff to work together on a transaction, and building a website and mobile application to meet customers looking to move. These expenses primarily include personnel costs (including base pay, bonuses, benefits, and stock-based compensation), data licenses, software and equipment, and infrastructure such as for data centers and hosted services. The expenses also include amortization of capitalized internal-use software and website and mobile application development costs as well as amortization of acquired intangible assets. We expense research and development costs as incurred and record them in technology and development expenses.

Marketing

Marketing expenses consist primarily of media costs for online and offline advertising, as well as personnel costs (including base pay, benefits, and stock-based compensation).

General and Administrative

General and administrative expenses consist primarily of personnel costs (including base pay, benefits, and stock-based compensation), facilities costs and related expenses for our executive, finance, human resources, and legal organizations, depreciation related to our fixed assets, and fees for outside services. Outside services are principally composed of external legal, audit, and tax services. For our rentals business, personnel costs include employees in the sales department. These employees are responsible for attracting potential rental properties and agreeing to contract terms, but they are not responsible for delivering a service to the rental property.

Restructuring and Reorganization

Restructuring and reorganization expenses consist primarily of personnel-related costs associated with employee terminations, furloughs, or retention payments associated with wind-down activities.

Interest Income, Interest Expense, Income Tax Expense, Gain on Extinguishment of Convertible Senior Notes, and Other Expense, Net

Interest Income

Interest income consists primarily of interest earned on our cash, cash equivalents, and investments, and interest income related to originated mortgage loans.

Interest Expense

Interest expense consists primarily of any interest payable on our convertible senior notes and, for the three and six months ended June 30, 2023, the amortization of debt discounts and issuance cost related to our convertible senior notes. See Note 14 to our consolidated financial statements for information regarding interest on our convertible senior notes.

Interest expense also includes interest on borrowings and the amortization of debt issuance costs related to our secured revolving credit facility and our warehouse credit facilities. See Note 14 to our consolidated financial statements for information regarding interest for the facility.

Income Tax Expense

Income tax expense primarily relates to current state income taxes recorded for the year, partially offset by a deferred income tax benefit generated by the reduction to a deferred tax liability created through our April 2, 2021 acquisition of Rent.

Gain on Extinguishment of Convertible Senior Notes

Gain on extinguishment of convertible senior notes relates to gains recognized on the repurchase of our convertible senior notes. See Note 14 to our consolidated financial statements for information regarding our convertible senior notes.

Other Expense, Net

Other expense, net consists primarily of realized and unrealized gains and losses on investments. See Note 4 to our consolidated financial statements for information regarding unrealized gains and losses on our investments.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenue for those periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Revenue	$ 275,556	$ 349,049	$ 489,639	$ 571,865
Cost of revenue(1)	175,366	237,813	331,311	408,980
Gross profit	100,190	111,236	158,328	162,885
Operating expenses				
Technology and development(1)	47,141	46,822	94,804	92,343
Marketing(1)	33,033	55,922	73,436	98,111
General and administrative(1)	61,765	68,523	131,204	124,664
Restructuring and reorganization	6,106	12,406	7,159	18,115
Total operating expenses	148,045	183,673	306,603	333,233
Loss from operations	(47,855)	(72,437)	(148,275)	(170,348)
Interest income	2,704	554	6,110	774
Interest expense	(1,766)	(2,217)	(3,688)	(4,429)
Income tax expense	(233)	(159)	(643)	(293)
Gain on extinguishment of convertible notes	20,083	—	62,353	—
Other expense, net	(145)	(264)	(379)	(2,175)
Net loss from continuing operations	$ (27,212)	$ (74,523)	$ (84,522)	$ (176,471)

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	$ 3,001	$ 3,615	$ 7,136	$ 6,605
Technology and development	8,241	6,768	16,368	13,877
Marketing	1,254	894	2,499	1,937
General and administrative	5,025	4,009	10,345	8,118
Total stock-based compensation from continuing operations	$ 17,521	$ 15,286	$ 36,348	$ 30,537

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(as a percentage of revenue)			
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue(1)	63.6	68.1	67.7	71.5
Gross profit	36.4	31.9	32.3	28.5
Operating expenses				
Technology and development(1)	17.1	13.4	19.4	16.1
Marketing(1)	12.0	16.0	15.0	17.2
General and administrative(1)	22.4	19.6	26.8	21.8
Restructuring	2.2	3.6	1.5	3.2
Total operating expenses	53.7	52.6	62.7	58.3
Loss from operations	(17.3)	(20.7)	(30.4)	(29.8)
Interest income	1.0	0.2	1.2	0.1
Interest expense	(0.6)	(0.6)	(0.8)	(0.8)
Income tax expense	(0.1)	0.0	(0.1)	(0.1)
Gain on extinguishment of convertible notes	7.3	0.0	12.7	0.0
Other expense, net	(0.1)	(0.1)	(0.1)	(0.4)
Net loss from continuing operations	(9.8)%	(21.4)%	(17.5)%	(31.0)%

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(as a percentage of revenue)			
Cost of revenue	1.1 %	1.0 %	1.5 %	1.2 %
Technology and development	3.0	1.9	3.3	2.4
Marketing	0.5	0.3	0.5	0.3
General and administrative	1.8	1.2	2.1	1.4
Total	6.4 %	4.4 %	7.4 %	5.3 %

Comparison of the Three Months Ended June 30, 2023 and 2022

Revenue

	Three Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Real estate services				
Brokerage	$ 169,749	$ 240,454	$ (70,705)	(29) %
Partner	10,892	11,355	(463)	(4)
Total real estate services	180,641	251,809	(71,168)	(28)
Rentals	45,356	38,248	7,108	19
Mortgage	38,426	53,098	(14,672)	(28)
Other	11,133	5,894	5,239	89
Total revenue	$ 275,556	$ 349,049	$ (73,493)	(21)
Percentage of revenue				
Real estate services				
Brokerage	61.6 %	68.9 %		
Partner	4.0	3.3		
Total real estate services	65.6	72.2		
Rentals	16.5	11.0		
Mortgage	13.9	15.2		
Other	4.0	1.6		
Total revenue	100.0 %	100.0 %		

In the three months ended June 30, 2023, revenue decreased by $73.5 million, or 21%, as compared with the same period in 2022. This decrease in revenue was primarily attributable to a $71.2 million decrease in real estate services revenue. Brokerage revenue decreased by $70.7 million, and partner revenue decreased by $0.5 million. Brokerage revenue decreased 29% during the period, driven by a 33% decrease in brokerage transactions and a 6% increase in brokerage revenue per transaction with the elimination of our homebuyer commission refund more than offsetting a 6% decrease in average home prices for brokerage transactions.

Cost of Revenue and Gross Margin

	Three Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue				
Real estate services	$ 124,447	$ 177,698	$ (53,251)	(30) %
Rentals	10,427	7,901	2,526	32
Mortgage	34,266	46,316	(12,050)	(26)
Other	6,226	5,898	328	6
Total cost of revenue	$ 175,366	$ 237,813	$ (62,447)	(26)
Gross profit				
Real estate services	$ 56,194	$ 74,111	$ (17,917)	(24) %
Rentals	34,929	30,347	4,582	15
Mortgage	4,160	6,782	(2,622)	(39)
Other	4,907	(4)	4,911	122,775
Total gross profit	$ 100,190	$ 111,236	$ (11,046)	(10)
Gross margin (percentage of revenue)				
Real estate services	31.1 %	29.4 %		
Rentals	77.0	79.3		
Mortgage	10.8	12.8		
Other	44.1	(0.1)		
Total gross margin	36.4	31.9		

In the three months ended June 30, 2023, total cost of revenue decreased by $62.4 million, or 26%, as compared with the same period in 2022. This decrease in cost of revenue was primarily attributable to a $57.1 million decrease in personnel costs and transaction bonuses, due to decreased headcount and decreased brokerage transactions, respectively.

In the three months ended June 30, 2023, total gross margin increased 450 basis points as compared with the same period in 2022, driven primarily by increases in real estate services and other gross margin. This was partially offset by decreases in mortgage and rentals gross margin.

In the three months ended June 30, 2023, real estate services gross margin increased 170 basis points as compared with the same period in 2022. This was primarily attributable to a 410 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue. This was partially offset by a 110 basis point increase in home improvement costs incurred on behalf of home sellers, a 40 basis point increase in home-touring and field expenses, and a 40 basis point increase in listing expenses, each as a percentage of revenue.

In the three months ended June 30, 2023, rentals gross margin decreased 230 basis points as compared with the same period in 2022. This was primarily attributable to a 500 basis point increase in marketing expense as a percentage of revenue and due to expanded services.

In the three months ended June 30, 2023, mortgage gross margin decreased 200 basis points as compared with the same period in 2022. This was primarily attributable to an 800 basis point increase in production costs as a percentage of revenue. This was partially offset by a 550 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue.

In the three months ended June 30, 2023, other gross margin increased 4,420 basis points as compared with the same period in 2022. This was primarily attributable to a 2,870 basis point decrease in personnel costs and transaction bonuses, and an 890 basis point decrease in production costs, each as a percentage of revenue.

Operating Expenses

	Three Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	$ 47,141	$ 46,822	$ 319	1 %
Marketing	33,033	55,922	(22,889)	(41)
General and administrative	61,765	68,523	(6,758)	(10)
Restructuring	6,106	12,406	(6,300)	(51)
Total operating expenses	$ 148,045	$ 183,673	$ (35,628)	(19)
Percentage of revenue				
Technology and development	17.1 %	13.4 %		
Marketing	12.0	16.0		
General and administrative	22.4	19.6		
Restructuring and reorganization	2.2	3.6		
Total operating expenses	53.7 %	52.6 %		

In the three months ended June 30, 2023, technology and development expenses increased by $0.3 million, or 1%, as compared with the same period in 2022. The increase was primarily attributable to a $0.1 million increase in personnel costs.

In the three months ended June 30, 2023, marketing expenses decreased by $22.9 million, or 41%, as compared with the same period in 2022. The decrease was primarily attributable to a $23.1 million decrease in marketing media costs as we reduced advertising.

In the three months ended June 30, 2023, general and administrative expenses decreased by $6.8 million, or 10%, as compared with the same period in 2022. The decrease was primarily attributable to a $2.8 million decrease in legal expenses, a $2.3 million decrease in personnel costs, and a $1.5 million decrease in acquisition-related expenses.

In the three months ended June 30, 2023, restructuring and reorganization expenses decreased by $6.3 million, or 51%, as compared with the same period in 2022. This decrease is primarily attributable to a lower volume of restructuring activities in the three months ended June 30, 2023 as compared with the same period in 2022.

Interest Income, Interest Expense, Income Tax Expense, Gain on Extinguishment of Convertible Senior Notes, and Other Expense, Net

	Three Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Interest income	$ 2,704	$ 554	$ 2,150	388 %
Interest expense	(1,766)	(2,217)	451	20
Income tax expense	(233)	(159)	(74)	(47)
Gain on extinguishment of convertible senior notes	20,083	—	20,083	n/a
Other expense, net	(145)	(264)	119	45
Interest income, interest expense, income tax expense, gain on extinguishment of convertible notes, and other expense, net	$ 20,643	$ (2,086)	$ 22,729	1,090
Percentage of revenue				
Interest income	1.0 %	0.2 %		
Interest expense	(0.6)	(0.6)		
Income tax expense	(0.1)	0.0		
Gain on extinguishment of convertible senior notes	7.3	0.0		
Other expense, net	(0.1)	(0.1)		
Interest income, interest expense, income tax expense, gain on extinguishment of convertible notes, and other expense, net	7.5 %	(0.5)%		

In the three months ended June 30, 2023, interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net increased by $22.7 million as compared to the same period in 2022.

Interest expense decreased by $0.5 million due primarily to the closing of our secured revolving credit facility.

Gain on extinguishment of convertible senior notes increased by $20.1 million, due to our paying down a portion of our 2025 notes at a discount, and there was no such activity in 2022. See Note 14 to our consolidated financial statements for further information on these transactions.

Comparison of the Six Months Ended June 30, 2023 and 2022

Revenue

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change Dollars	Change Percentage
	(in thousands, except percentages)			
Real estate services				
Brokerage	$ 288,784	$ 408,326	$ (119,542)	(29) %
Partner	19,153	20,969	(1,816)	(9)
Total real estate services	307,937	429,295	(121,358)	(28)
Rentals	88,226	76,292	11,934	16
Mortgage	74,915	56,015	18,900	34
Other	18,561	10,263	8,298	81
Total revenue	$ 489,639	$ 571,865	$ (82,226)	(14)
Percentage of revenue				
Real estate services				
Brokerage	59.0 %	71.4 %		
Partner	3.9	3.7		
Total real estate services	62.9	75.1		
Rentals	18.0	13.3		
Mortgage	15.3	9.8		
Other	3.8	1.8		
Total revenue	100.0 %	100.0 %		

In the six months ended June 30, 2023, revenue decreased by $82.2 million, or 14%, as compared with the same period in 2022. This decrease was partially offset by $74.9 million in revenue resulting from our acquisition of Bay Equity, and there were $53.4 million of such revenues in the six months ended June 30, 2022. Excluding these revenues from Bay Equity, this decrease in revenue was primarily attributable to a $121.4 million decrease in real estate services revenue. Brokerage revenue decreased by $119.5 million, and partner revenue decreased by $1.8 million. Brokerage revenue decreased 29% during the period, driven by a 32% decrease in brokerage transactions and a 5% increase in brokerage revenue per transaction with the elimination of our homebuyer commission refund more than offsetting a 7% decrease in average home prices for brokerage transactions.

Cost of Revenue and Gross Margin

	Six Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue				
Real estate services	$ 235,941	$ 331,482	$ (95,541)	(29) %
Rentals	20,192	15,094	5,098	34
Mortgage	63,479	51,834	11,645	22
Other	11,699	10,570	1,129	11
Total cost of revenue	$ 331,311	$ 408,980	$ (77,669)	(19)
Gross profit				
Real estate services	$ 71,996	$ 97,813	$ (25,817)	(26) %
Rentals	68,034	61,198	6,836	11
Mortgage	11,436	4,181	7,255	174
Other	6,862	(307)	7,169	2,335
Total gross profit	$ 158,328	$ 162,885	$ (4,557)	(3)
Gross margin (percentage of revenue)				
Real estate services	23.4 %	22.8 %		
Rentals	77.1	80.2		
Mortgage	15.3	7.5		
Other	37.0	(3.0)		
Total gross margin	32.3	28.5		

In the six months ended June 30, 2023, total cost of revenue decreased by $77.7 million, or 19%, as compared with the same period in 2022. This decrease was partially offset by $63.3 million in costs resulting from our acquisition of Bay Equity, and there were $44.1 million of such costs in the six months ended June 30, 2022. Excluding these expenses from Bay Equity, this decrease in cost of revenue was primarily attributable to an $83.6 million decrease in personnel costs and transaction bonuses, due to decreased headcount and decreased brokerage transactions, respectively.

In the six months ended June 30, 2023, total gross margin increased 380 basis points as compared with the same period in 2022, driven primarily by increases in real estate services, mortgage, and other gross margin.

In the six months ended June 30, 2023, real estate services gross margin increased 60 basis points as compared with the same period in 2022. This was primarily attributable to a 290 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue. This was partially offset by a 100 basis point increase in costs from our annual, in-person company event, which we did not conduct in the same period in 2022, a 40 basis point increase in home repair costs, and a 40 basis point increase in listing expenses, each as a percentage of revenue.

In the six months ended June 30, 2023, rentals gross margin decreased 310 basis points as compared with the same period in 2022. This was primarily attributable to a 520 basis point increase in marketing expense as a percentage of revenue and due to expanded services.

In the six months ended June 30, 2023, mortgage gross margin increased 780 basis points as compared with the same period in 2022. This was primarily attributable to a 1,300 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue. This was partially offset by a 680 basis point increase in production costs as a percentage of revenue.

In the six months ended June 30, 2023, other gross margin increased 4,000 basis points. This was primarily attributable to a 2,560 basis point decrease in personnel costs and transaction bonuses, and an 870 basis point decrease in production costs, each as a percentage of revenue.

Operating Expenses

	Six Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	$ 94,804	$ 92,343	$ 2,461	3 %
Marketing	73,436	98,111	(24,675)	(25)
General and administrative	131,204	124,664	6,540	5
Restructuring	7,159	18,115	(10,956)	(60)
Total operating expenses	$ 306,603	$ 333,233	$ (26,630)	(8)
Percentage of revenue				
Technology and development	19.4 %	16.1 %		
Marketing	15.0	17.2		
General and administrative	26.8	21.8		
Restructuring and reorganization	1.5	3.2		
Total operating expenses	62.7 %	58.3 %		

In the six months ended June 30, 2023, technology and development expenses increased by $2.5 million, or 3%, as compared with the same period in 2022. This increase was partially offset by $0.8 million in costs resulting from our acquisition of Bay Equity, and there were $0.7 million of such expenses in the six months ended June 30, 2022. Excluding these expenses from Bay Equity, the increase was primarily attributable to a $1.2 million increase in personnel costs.

In the six months ended June 30, 2023, marketing expenses decreased by $24.7 million, or 25%, as compared with the same period in 2022. This decrease was partially offset by $2.0 million in costs resulting from our acquisition of Bay Equity, and there were $1.8 million of such expenses in the six months ended June 30, 2022. Excluding these expenses from Bay Equity, the decrease was primarily attributable to a $25.7 million decrease in marketing media costs as we reduced advertising.

In the six months ended June 30, 2023, general and administrative expenses increased by $6.5 million, or 5%, as compared with the same period in 2022. Included in the increase was $13.5 million resulting from our acquisition of Bay Equity, and there were $8.4 million of such expenses in the six months ended June 30, 2022. Excluding these expenses from Bay Equity, general and administrative expenses increased by $1.4 million. The increase was primarily attributable to $5.9 million in costs associated with our annual, in-person company event, which we did not conduct in the same period in 2022, and a $2.0 million increase in office and occupancy expenses as we were terminating a lease. This was partially offset by a $2.4 million decrease in acquisition-related expenses, a $2.0 million decrease in legal expenses, and a $1.9 million decrease in personnel costs.

In the six months ended June 30, 2023, restructuring and reorganization expenses decreased by $11.0 million, or 60% as compared with the same period in 2022. This decrease is primarily attributable to a lower volume of restructuring activities in the three months ended June 30, 2023 as compared with the same period in 2022.

Interest Income, Interest Expense, Income Tax Expense, Gain on Extinguishment of Convertible Senior Notes, and Other Expense, Net

	Six Months Ended June 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands, except percentages)			
Interest income	$ 6,110	$ 774	$ 5,336	689 %
Interest expense	(3,688)	(4,429)	741	17
Income tax expense	(643)	(293)	(350)	(119)
Gain on extinguishment of convertible senior notes	62,353	—	62,353	n/a
Other expense, net	(379)	(2,175)	1,796	83
Interest income, interest expense, income tax expense, gain on extinguishment of convertible notes, and other expense, net	$ 63,753	$ (6,123)	$ 69,876	1,141
Percentage of revenue				
Interest income	1.2 %	0.1 %		
Interest expense	(0.8)	(0.8)		
Income tax expense	(0.1)	(0.1)		
Gain on extinguishment of convertible senior notes	12.7	0.0		
Other expense, net	(0.1)	(0.4)		
Interest income, interest expense, income tax expense, gain on extinguishment of convertible notes, and other expense, net	12.9 %	(1.2)%		

In the six months ended June 30, 2023, interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net increased by $69.9 million as compared to the same period in 2022.

Interest expense decreased by $0.7 million due primarily to the closing of our secured revolving credit facility.

Gain on extinguishment of convertible senior notes increased by $62.4 million, due to our paying down a portion of our 2025 notes at a discount, and there was no such activity for the same period in 2022. See Note 14 to our consolidated financial statements for further information on these transactions.

Other expense, net decreased by $1.8 million primarily due to the sale of one of our equity investments at a loss in the six months ended June 30, 2022, and we had no such transaction in the six months ended June 30, 2023.

Segment Financial Information

The following tables present, for each of our reportable and other segments, financial information on a GAAP basis and adjusted EBITDA, which is a non-GAAP financial measure, for the three and six months ended June 30, 2023 and 2022.

See Note 3 to our consolidated financial statements for more information regarding our GAAP segment reporting.

To supplement our consolidated financial statements that are prepared and presented in accordance with GAAP, we also compute and present adjusted EBITDA, which is a non-GAAP financial measure. We believe adjusted EBITDA is useful for investors because it enhances period-to-period comparability of our financial statements on a consistent basis and provides investors with useful insight into the underlying trends of the business. The presentation of this financial measure is not intended to be considered in isolation or as a substitute of, or superior to, our financial information prepared and presented in accordance with GAAP. Our calculation of adjusted EBITDA may be different from adjusted EBITDA or similar non-GAAP financial measures used by other companies, limiting its usefulness for comparison purposes. Our adjusted EBITDA for the three and six months ended June 30, 2023 and 2022 is presented below, along with a reconciliation of adjusted EBITDA to net (loss) income from continuing operations.

	Three Months Ended June 30, 2023					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Revenue[1]	$ 180,641	$ 45,356	$ 38,426	$ 11,133	$ —	$ 275,556
Cost of revenue	124,447	10,427	34,266	6,226	—	175,366
Gross profit	56,194	34,929	4,160	4,907	—	100,190
Operating expenses						
Technology and development	28,044	16,304	734	1,118	941	47,141
Marketing	16,004	15,938	1,054	16	21	33,033
General and administrative	20,961	25,305	6,724	1,044	7,731	61,765
Restructuring and reorganization	—	—	—	—	6,106	6,106
Total operating expenses	65,009	57,547	8,512	2,178	14,799	148,045
(Loss) income from continuing operations	(8,815)	(22,618)	(4,352)	2,729	(14,799)	(47,855)
Interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net	—	28	(91)	153	20,553	20,643
Net (loss) income from continuing operations	$ (8,815)	$ (22,590)	$ (4,443)	$ 2,882	$ 5,754	$ (27,212)

(1) Included in revenue is $0.1 million from providing services to our discontinued properties segment.

	Three Months Ended June 30, 2023					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Net (loss) income from continuing operations	$ (8,815)	$ (22,590)	$ (4,443)	$ 2,882	$ 5,754	$ (27,212)
Interest income[1]	—	(77)	(3,686)	(153)	(2,467)	(6,383)
Interest expense[2]	—	—	3,990	—	1,766	5,756
Income tax expense	—	43	83	—	107	233
Depreciation and amortization	5,264	10,235	994	307	329	17,129
Stock-based compensation[3]	12,297	3,709	823	561	131	17,521
Acquisition-related costs[4]	—	—	—	—	8	8
Restructuring and reorganization[5]	—	—	—	—	6,106	6,106
Gain on extinguishment of convertible senior notes	—	—	—	—	(20,083)	(20,083)
Adjusted EBITDA	$ 8,746	$ (8,680)	$ (2,239)	$ 3,597	$ (8,349)	$ (6,925)

(1) Interest income includes $3.7 million of interest income related to originated mortgage loans for the three months ended June 30, 2023.
(2) Interest expense includes $4.0 million of interest expense related to our warehouse credit facilities for the three months ended June 30, 2023.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 11 to our consolidated financial statements for more information.

(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022, October 2022, and March 2023 workforce reductions.

	Three Months Ended June 30, 2022					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Revenue[1]	$ 251,809	$ 38,248	$ 53,098	$ 5,894	$ —	$ 349,049
Cost of revenue	177,698	7,901	46,316	5,898	—	237,813
Gross profit	74,111	30,347	6,782	(4)	—	111,236
Operating expenses						
Technology and development	27,696	14,871	1,904	1,189	1,162	46,822
Marketing	40,765	13,086	1,843	71	157	55,922
General and administrative	24,341	21,824	9,450	850	12,058	68,523
Restructuring and reorganization	—	—	—	—	12,406	12,406
Total operating expenses	92,802	49,781	13,197	2,110	25,783	183,673
Loss from continuing operations	(18,691)	(19,434)	(6,415)	(2,114)	(25,783)	(72,437)
Interest income, interest expense, income tax expense, and other expense, net	(123)	232	(35)	11	(2,171)	(2,086)
Net loss from continuing operations	$ (18,814)	$ (19,202)	$ (6,450)	$ (2,103)	$ (27,954)	$ (74,523)

(1) Included in revenue is $4.7 million from providing services to our discontinued properties segment.

	Three Months Ended June 30, 2022					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Net loss from continuing operations	$ (18,814)	$ (19,202)	$ (6,450)	$ (2,103)	$ (27,954)	$ (74,523)
Interest income[1]	—	(1)	(2,929)	(12)	(540)	(3,482)
Interest expense[2]	—	—	1,958	—	2,214	4,172
Income tax expense	—	(230)	33	—	356	159
Depreciation and amortization	4,551	9,511	1,070	318	272	15,722
Stock-based compensation[3]	9,670	2,739	780	441	1,656	15,286
Acquisition-related costs[4]	—	—	—	—	1,507	1,507
Restructuring and reorganization[5]	—	—	—	—	12,406	12,406
Adjusted EBITDA	$ (4,593)	$ (7,183)	$ (5,538)	$ (1,356)	$ (10,083)	$ (28,753)

(1) Interest income includes $2.9 million of interest income related to originated mortgage loans for the three months ended June 30, 2022.
(2) Interest expense includes $2.0 million of interest expense related to our warehouse credit facilities for the three months ended June 30, 2022.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 11 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention for our rentals segment due to the restructuring and reorganization activities from our acquisition of Rent.

	Six Months Ended June 30, 2023					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Revenue[1]	$ 307,937	$ 88,226	$ 74,915	$ 18,561	$ —	$ 489,639
Cost of revenue	235,941	20,192	63,479	11,699	—	331,311
Gross profit	71,996	68,034	11,436	6,862	—	158,328
Operating expenses						
Technology and development	56,939	32,268	1,377	2,342	1,878	94,804
Marketing	41,064	30,264	2,034	26	48	73,436
General and administrative	40,579	51,607	13,653	2,097	23,268	131,204
Restructuring and reorganization	—	—	—	—	7,159	7,159
Total operating expenses	138,582	114,139	17,064	4,465	32,353	306,603
(Loss) income from continuing operations	(66,586)	(46,105)	(5,628)	2,397	(32,353)	(148,275)
Interest income, interest expense, income tax expense, gain on extinguishment of convertible senior notes, and other expense, net	—	73	(151)	268	63,563	63,753
Net (loss) income from continuing operations	$ (66,586)	$ (46,032)	$ (5,779)	$ 2,665	$ 31,210	$ (84,522)

(1) Included in revenue is $1.2 million from providing services to our discontinued properties segment.

	Six Months Ended June 30, 2023					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Net (loss) income from continuing operations	$ (66,586)	$ (46,032)	$ (5,779)	$ 2,665	$ 31,210	$ (84,522)
Interest income[1]	—	(157)	(6,176)	(268)	(5,668)	(12,269)
Interest expense[2]	—	—	6,605	—	3,687	10,292
Income tax expense	—	86	151	—	406	643
Depreciation and amortization	9,696	20,387	1,982	523	1,432	34,020
Stock-based compensation[3]	21,890	7,325	2,081	1,122	3,930	36,348
Acquisition-related costs[4]	—	—	—	—	8	8
Restructuring and reorganization[5]	—	—	—	—	7,159	7,159
Impairment[6]	—	—	—	—	113	113
Gain on extinguishment of convertible senior notes	—	—	—	—	(62,353)	(62,353)
Adjusted EBITDA	$ (35,000)	$ (18,391)	$ (1,136)	$ 4,042	$ (20,076)	$ (70,561)

(1) Interest income includes $6.2 million of interest income related to originated mortgage loans for the six months ended June 30, 2023.
(2) Interest expense includes $6.6 million of interest expense related to our warehouse credit facilities for the six months ended June 30, 2023.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 11 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022, October 2022, and March 2023 workforce reductions.
(6) Impairment consists of an impairment loss due to subleasing one of our operating leases.

	Six Months Ended June 30, 2022					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Revenue[1]	$ 429,295	$ 76,292	$ 56,015	$ 10,263	$ —	$ 571,865
Cost of revenue	331,482	15,094	51,834	10,570	—	408,980
Gross profit	97,813	61,198	4,181	(307)	—	162,885
Operating expenses						
Technology and development	54,435	29,154	4,251	2,225	2,278	92,343
Marketing	71,608	24,128	1,871	125	379	98,111
General and administrative	47,333	46,015	10,974	1,562	18,780	124,664
Restructuring and reorganization	—	—	—	—	18,115	18,115
Total operating expenses	173,376	99,297	17,096	3,912	39,552	333,233
Loss from operations	(75,563)	(38,099)	(12,915)	(4,219)	(39,552)	(170,348)
Interest income, interest expense, income tax expense, and other expense, net	(123)	701	(35)	12	(6,678)	(6,123)
Net loss from continuing operations	$ (75,686)	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,230)	$ (176,471)

(1) Included in revenue is $10.0 million from providing services to our discontinued properties segment.

	Six Months Ended June 30, 2022					
	Real estate services	Rentals	Mortgage	Other	Corporate overhead	Total
	(in thousands)					
Net loss from continuing operations	$ (75,686)	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,230)	$ (176,471)
Interest income[1]	—	(1)	(3,247)	(13)	(759)	(4,020)
Interest expense[2]	—	—	2,235	—	4,427	6,662
Income tax expense	—	(434)	33	—	694	293
Depreciation and amortization	8,569	18,867	1,372	573	618	29,999
Stock-based compensation[3]	19,810	4,979	1,381	810	3,557	30,537
Acquisition-related costs[4]	—	—	—	—	2,424	2,424
Restructuring and reorganization[5]	—	—	—	—	18,115	18,115
Adjusted EBITDA	$ (47,307)	$ (13,987)	$ (11,176)	$ (2,837)	$ (17,154)	$ (92,461)

(1) Interest income includes $3.2 million of interest income related to originated mortgage loans for the six months ended June 30, 2023.
(2) Interest expense includes $2.2 million of interest expense related to our warehouse credit facilities for the six months ended June 30, 2023.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 11 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022, October 2022, and March 2023 workforce reductions.

Liquidity and Capital Resources

As of June 30, 2023, we had cash and cash equivalents of $118.8 million and investments of $106.1 million, which consist primarily of operating cash on deposit with financial institutions, money market instruments, U.S. treasury securities, and agency bonds.

As of June 30, 2023, we had $869.2 million of convertible senior notes outstanding across three issuances, maturing between July 15, 2023 and April 1, 2027. During the three months ended June 30, 2023, we repurchased and retired $95.8 million of our 2025 convertible senior notes pursuant to the repurchase program authorized by our board of directors on October 17, 2022, using $74.7 million in cash. As of June 30, 2023, we have repurchased a total of $390.5 million of our 2025 convertible senior notes, using $266.6 million in cash. As of June 30, 2023, we have $33.4 million remaining under the repurchase program for future repurchases. See Note 14 to our consolidated financial statements for our obligations to pay semi-annual interest and to repay any outstanding amounts at the notes' maturity. In addition, our 2023 convertible senior notes were fully repaid in cash on July 15, 2023.

As of June 30, 2023, we had 40,000 shares of convertible preferred stock outstanding. See Note 10 to our consolidated financial statements for our obligations to pay quarterly interest and to redeem any outstanding shares on November 30, 2024.

Our mortgage business has significant cash requirements due to the period of time between its origination of a mortgage loan and the sale of that loan. We have relied on warehouse credit facilities with different lenders to fund substantially the entire portion of the mortgage loans that our mortgage business originates. Once our mortgage business sells a loan in the secondary mortgage market, we use the proceeds to reduce the outstanding balance under the related facility. See Note 14 to our consolidated financial statements for more information regarding our warehouse credit facilities.

We believe that our existing cash and cash equivalents and investments, together with cash we expect to generate from future operations, and borrowings from our mortgage warehouse credit facilities, will provide sufficient liquidity to meet our operational needs and our growth, and fulfill our payment obligations with respect to our convertible senior notes and convertible preferred stock. However, our liquidity assumptions may change or prove to be incorrect, and we could exhaust our available financial resources sooner than we currently expect. As a result, we may seek new sources of credit financing or elect to raise additional funds through equity, equity-linked, or debt financing arrangements. We cannot assure you that any additional financing will be available to us on acceptable terms or at all.

Our title and settlement business holds cash in escrow that we do not record on our consolidated balance sheets. See Note 7 to our consolidated financial statements for more information regarding these amounts.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (11,115)	$ (168,500)
Net cash provided by (used in) investing activities	41,403	(159,285)
Net cash (used in) provided by financing activities	(151,212)	17,747

Net Cash Used In Operating Activities

Our operating cash flows result primarily from cash generated by commissions paid to us from our real estate services business, sales of homes from our properties business, and subscription-based product offerings from our rentals business. Our primary uses of cash from operating activities include payments for personnel-related costs, including employee benefits and bonus programs, marketing and advertising activities, purchases of homes for our properties business, office and occupancy costs, and outside services costs. Additionally, our mortgage business generates a significant amount operating cash flow activity from the origination and sale of loans held for sale.

Net cash used in operating activities was $11.1 million for the six months ended June 30, 2023, primarily attributable to our net loss of $88.2 million. This loss was slightly offset by changes in assets and liabilities, which increased cash provided by operating activities by $62.7 million. In addition there was a net increase of $14.3 million from non-cash items related to stock-based compensation, depreciation and amortization, amortization of debt discounts and issuances costs, lease expense related to right-of-use assets, changes in the fair value of mortgage servicing rights, gain on extinguishment of our convertible senior notes, and other non-cash items. The primary source of cash related to changes in our assets and liabilities was a $114.2 million decrease in inventory related to our properties business.

Net cash used in operating activities was $168.5 million for the six months ended June 30, 2022, primarily attributable to (i) changes in assets and liabilities, which decreased cash provided by operating activities by $79.3 million, and (ii) $79.7 million of non-cash items related to stock-based compensation, depreciation and amortization, amortization of debt discounts and issuances costs, lease expense related to right-of-use assets, change in fair value of mortgage servicing rights, and other non-cash items. The primary uses of cash related to changes in our assets and liabilities were a $19.3 million increase in inventory related to our properties business and a net increase in origination of loans held for sale of $53.6 million.

Net Cash Provided by (Used In) Investing Activities

Our primary investing activities include the purchase, sale, and maturity of investments and purchases of property and equipment, primarily related to capitalized software development expenses and computer equipment and software.

Net cash provided by investing activities was $41.4 million for the six months ended June 30, 2023, primarily attributable to $47.6 million in net maturities of our investments in U.S. government securities, partially offset by $6.2 million in purchases of property and equipment.

Net cash used in investing activities was $159.3 million for the six months ended June 30, 2022, primarily attributable to the net cash paid for our acquisition of Bay Equity of $97.3 million, $49.8 million in net investments in U.S. government securities, and $9.0 million of capitalized software development expenses.

Net Cash (Used In) Provided by Financing Activities

Our primary financing activities have come from (i) our initial public offering in August 2017, (ii) sales of our common stock and 2023 notes in July 2018, our common stock and convertible preferred stock in April 2020, our 2025 notes in October 2020, and our 2027 notes in March 2021, and (iii) the sale of our common stock pursuant to stock option exercises and our ESPP. Additionally, we generate a significant amount of financing cash flow activity due to borrowings from and repayments to our warehouse credit facilities and our secured revolving credit facility.

Net cash used in financing activities was $151.2 million for the six months ended June 30, 2023, attributable to $183.0 million used in connection with repurchases of our 2025 notes and partially offset by a $37.3 million increase in net borrowings under our warehouse credit facilities.

Net cash provided by financing activities was $17.7 million for the six months ended June 30, 2022, attributable to a $43.2 million decrease in net borrowings under our secured revolving credit facility and a $56.7 million increase in net borrowings under our warehouse credit facilities.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue, and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and estimates addressed below. In addition, we have other key accounting policies and estimates that are described in Note 1 to our consolidated financial statements.

Revenue Recognition

Our key revenue components are brokerage revenue, partner revenue, rentals revenue, mortgage revenue, and other revenue. Of these, we consider the most critical of our revenue recognition policies to be those related to commissions and fees charged on brokerage transactions closed by our lead agents, and from the sale of homes. We recognize commission-based brokerage revenue upon closing of a brokerage transaction, less the amount of any commission refunds, closing-cost reductions, or promotional offers that may result in a material right. We determined that brokerage revenue primarily contains a single performance obligation that is satisfied upon the closing of a transaction, at which point the entire transaction price is earned. We evaluate our brokerage contracts and promotional pricing to determine if there are any additional material rights and allocate the transaction price based on standalone selling prices.

Rentals revenue is primarily recognized on a straight-line basis over the term of the contract, which is generally less than one year. Revenue is presented net of sales allowances, which are not material.

Mortgage revenue is recognized (1) when an interest rate lock commitment is made to a customer, adjusted for a pull-through percentage, (2) for origination fees, when the purchase or refinance of a loan is complete, and (3) when the fair value of our interest rate lock commitments, forward sale commitments, and loans held for sale are recorded at current market quotes.

We have utilized the practical expedient in *ASC 606, Revenue from Contracts with Customers* , and elected not to capitalize contract costs for contracts with customers with durations less than one year. We do not have significant remaining performance obligations or contract balances.

Acquired Intangible Assets and Goodwill

We recognize separately identifiable intangible assets acquired in a business combination. Determining the fair value of the intangible assets acquired requires management’s judgment, often utilizes third-party valuation specialists, and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash flows, discount rates, replacement costs, and asset lives, among other estimates.

The judgments made in the determination of the estimated fair value assigned to the intangible assets acquired and the estimated useful life of each asset could significantly impact our consolidated financial statements in periods after the acquisition, such as through depreciation and amortization expense, as well as impairment charges, if applicable.

We evaluate intangible assets for impairment whenever events or circumstances indicate that they may not be recoverable. We measure recoverability by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated with such asset group.

Goodwill represents the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. We assess the impairment of goodwill on an annual basis, during the fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired. Based on our annual goodwill impairment test performed in the fourth quarter of 2022, the estimated fair values of all reporting units substantially exceeded their carrying values. No goodwill impairment charges were recorded in the second quarter of 2023 or 2022.

We assess goodwill for possible impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If we qualitatively determine that it is not more likely than not that the fair value is less than its carrying amount, then no additional impairment steps are necessary. When utilizing a quantitative assessment, we determine fair value at the reporting unit level based on a combination of an income approach and market approach. The income approach is based on estimated future cash flows, discounted at a rate that approximates the cost of capital of a similar market participant, while the market approach is based on guideline public company multiples and adjusted for the specific size and risk profile of each reporting units.

Recent Accounting Standards

For information on recent accounting standards, see Note 1 to our consolidated financial statements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk.

Our primary operations are within the United States and Canada. We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

Our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of securities, including U.S. treasury and agency issues, bank certificates of deposit that are 100% insured by the Federal Deposit Insurance Corporation, and SEC-registered money market funds that consist of a minimum of $1 billion in assets and meet the above requirements. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes.

As of June 30, 2023, we had cash and cash equivalents of $118.8 million and investments of $106.1 million. Our investments are composed of available-for-sale securities that consist primarily of U.S. treasury securities with maturities of two years or less. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the relatively short-term nature and risk profile of our portfolio. Declines in interest rates, however, would reduce future investment income. Assuming no change in our outstanding cash, cash equivalents, and investments during the third quarter of 2023, a hypothetical 10% change in interest rates, occurring during and sustained throughout that quarter, would not have a material impact on our financial results for that quarter.

We are exposed to interest rate risk on our mortgage loans held for sale and IRLCs associated with our mortgage loan origination services. We manage this interest rate risk through the use of forward sales commitments on both a best effort whole loans basis and on a mandatory basis. Forward sales commitments entered into on a mandatory basis are done through the use of commitments to sell mortgage-backed securities. We do not enter into or hold derivatives for trading or speculative purposes. The fair value of our IRLCs and forward sales commitments are reflected in other current assets and accrued liabilities, as applicable, with changes in the fair value of these commitments recognized as revenue. The net fair value change for the periods presented were not material. See Note 4 to our consolidated financial statements for a summary of the fair value of our forward sales commitments and our IRLCs as of June 30, 2023.

Foreign Currency Exchange Risk

As our operations in Canada have been limited, and we do not maintain a significant balance of foreign currency, we do not currently face significant foreign currency exchange rate risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level described below.

Changes in Internal Control

In connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See "Legal Proceedings" under Note 7 to our consolidated financial statements for a discussion of our material, pending legal proceedings.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors included in Item 1A of our annual report for the year ended December 31, 2022. You should carefully consider the risks described in our annual report for the year ended December 31, 2022, together with all other information in this quarterly report, before investing in any of our securities. The occurrence of any single risk or any combination of risks could materially and adversely affect our business, operating results, financial condition, liquidity, or competitive position, and consequently, the value of our securities. The material adverse effects include, but are not limited to, not growing our revenue or market share at the pace that they have grown historically or at all, our revenue and market share fluctuating on a quarterly and annual basis, an extension of our history of losses and a failure to become profitable, not achieving the revenue and net income (loss) guidance that we provide, and harm to our reputation and brand.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

During the quarter ended June 30, 2023, the following directors and Section 16 officers adopted contracts, instructions, or written plans for the purchase or sale of our securities. Each of these intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Securities Exchange Act of 1934 (“10b5-1 Plan”). None of our directors or Section 16 officers adopted or terminated a “non-Rule 10b5-1 trading arrangement” as defined in Item 408 of Regulation S-K during the covered period.

The 10b5-1 Plans included a representation from each officer to the broker administering the plan that they were not in possession of any material nonpublic information regarding the company or the securities subject to the plan. A similar representation was made to the company in connection with the adoption of the plan under the company’s insider trading policy. Those representations were made as of the date of adoption of each 10b5-1 Plan.

Name	Title	Action	Date Adopted	Expiration Date	Aggregate # of Securities to be Bought/Sold
Bridget Frey(1)	Chief Technology Officer	Adoption	May 15, 2023	May 11, 2024	44,819
Anthony Kappus(2)	Chief Legal Officer	Adoption	May 31, 2023	March 6, 2024	58,850
Chris Nielsen(3)	Chief Financial Officer	Adoption	May 31, 2023	March 15, 2024	40,000

(1) Bridget Frey, our Chief Technology Officer, entered into a Rule 10b5-1 Plan on May 15, 2023. Ms. Frey’s 10b5-1 Plan provides for the potential sale of up to 44,819 shares of our common stock dependent upon the attainment of certain trading prices for our common stock according to limit orders set forth in Ms. Frey’s 10b5-1 Plan. If these trading prices are not attained at such time as these limit orders are in effect Ms. Frey may sell less than 44,819 shares of our common stock.
(2) Anthony Kappus, our Chief Legal Officer, entered into a Rule 10b5-1 Plan on May 31, 2023. Mr. Kappus’s plan provides for the potential sale of up to 14,424 shares of our common stock underlying previously vested Restricted Stock Units. Mr. Kappus’s plan also provides for the potential sale of shares of our common stock underlying future-vesting Restricted Stock Units and Performance Units. For purposes of calculating the Aggregate # of Securities to be Sold under Mr. Kappus’s 10b5-1 Plan, we have assumed that these Performance Stock Units will vest at 100% attainment and have not removed the number of shares to be withheld for income taxes.
(3) Chris Nielsen, our Chief Financial Officer, entered into a Rule 10b5-1 Plan on May 31, 2023. Mr. Nielsen’s 10b5-1 Plan provides for the potential sale of 40,000 shares of our common stock.

Item 6. Exhibits.

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1, 32.2, 101, and 104 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934.

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
31.1	Certification of principal executive officer, pursuant to Rule 13a-14(a)				X
31.2	Certification of principal financial officer, pursuant to Rule 13a-14(a)				X
32.1	Certification of chief executive officer, pursuant to 18 U.S.C. Section 1350				X
32.2	Certification of chief financial officer, pursuant to 18 U.S.C. Section 1350				X
101	Interactive data files				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

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.

Redfin Corporation
(Registrant)

August 3, 2023	/s/ Glenn Kelman
(Date)	Glenn Kelman President and Chief Executive Officer *(Duly Authorized Officer)*
August 3, 2023	/s/ Chris Nielsen
(Date)	Chris Nielsen Chief Financial Officer *(Principal Financial Officer)*

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Glenn Kelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

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 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 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 us 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 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: August 3, 2023

/s/ Glenn Kelman

Glenn Kelman
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Chris Nielsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

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 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 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 us 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 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: August 3, 2023

/s/ Chris Nielsen
Chris Nielsen
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Glenn Kelman, Chief Executive Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2023

/s/ Glenn Kelman

Glenn Kelman
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Chris Nielsen, Chief Financial Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2023

/s/ Chris Nielsen

Chris Nielsen
Chief Financial Officer