



November 7, 2017

Reis, Inc. Announces Third Quarter 2017 Results

Total Revenue Grows 4.8%; Subscription Revenue Rises 6.2%

— Revenue Growth and Margin Expansion Drive Results —

NEW YORK, Nov. 07, 2017 (GLOBE NEWSWIRE) -- Reis, Inc. (NASDAQ:REIS) ("Reis" or the "Company"), a leading provider of commercial real estate market information and analytical tools, announced its financial results for the third quarter ended September 30, 2017.

Financial Highlights

Total revenue was \$12.1 million for the three months ended September 30, 2017, growth of 4.8% over the third quarter 2016 reported amount of \$11.5 million. Total revenue in the 2017 third quarter was comprised of subscription revenue of \$12.0 million and other revenue of \$0.1 million. Total revenue in the nine months ended September 30, 2017 was \$35.9 million, a slight decline of (0.1)% from the 2016 reported amount. Total revenue for the nine months ended September 30, 2017 was comprised of \$34.9 million of subscription revenue and \$1.0 million of other revenue. Subscription revenue for the three and nine months ended September 30, 2017 grew 6.2% and 2.7%, respectively, over the corresponding 2016 periods. The third quarter 2017 marks the fifth consecutive quarter over quarter growth in subscription revenue and the second consecutive quarter over quarter growth in total revenue.

Net income was \$458,000, or \$0.04 per diluted share, for the three months ended September 30, 2017 as compared to net income of \$466,000, or \$0.04 per diluted share, for the corresponding 2016 period. Net income was \$1.4 million, or \$0.12 per diluted share, for the nine months ended September 30, 2017 as compared to net income of \$3.0 million, or \$0.26 per diluted share, for the corresponding 2016 period.

Reis Services EBITDA was \$4.0 million during the third quarter of 2017, growth of 19.4% over the third quarter 2016 reported amount of \$3.4 million. The Reis Services EBITDA margins were 33.2% and 29.1% for the three months ended September 30, 2017 and 2016, respectively (see the "Supplemental Financial Information and Reconciliations from GAAP to Non-GAAP Metrics" section at the end of this earnings release for a definition and reconciliations of net income to EBITDA and Adjusted EBITDA for the Reis Services segment and on a consolidated basis). Reis Services EBITDA was \$10.8 million for the nine months ended September 30, 2017, a decline of (16.1)% from the 2016 reported amount of \$12.9 million. The Reis Services EBITDA margins were 30.1% and 35.8% for the nine months ended September 30, 2017 and 2016, respectively.

Consolidated Adjusted EBITDA was \$3.4 million during the third quarter of 2017, growth of 13.7% over the third quarter 2016 reported amount of \$3.0 million. The consolidated Adjusted EBITDA margins were 27.8% and 25.6% for the three months ended September 30, 2017 and 2016, respectively. Consolidated Adjusted EBITDA was \$9.0 million for the nine months ended September 30, 2017, a decline of (19.5)% from the 2016 reported amount of \$11.2 million. The consolidated Adjusted EBITDA margins were 25.2% and 31.2% for the nine months ended September 30, 2017 and 2016, respectively.

Reis's CEO, Lloyd Lynford, noted, "Reis's continuing progress with respect to both year-over-year and sequential revenue and EBITDA growth is particularly rewarding given that it is the direct result of the capital and operational investments we have made over the last two years. As our "Every Sale, Everywhere" marketing campaign is launched, and we begin to integrate our API into the work flow of our clients, Reis has returned to stronger and positive revenue growth. Our operating expense growth has flattened after the necessary investments to support data collection and sales and marketing; the combination of stronger revenue growth and a more moderate pace of expense growth is providing the required operating leverage to sustain the positive EBITDA results we are reporting today."

Balance Sheet, Liquidity and Other Metrics

Following are balance sheet, liquidity and other metrics reported by the Company as of September 30, 2017:

- ┆ cash at September 30, 2017 was \$17.4 million;
- ┆ investments in the Company's website and database intangible assets aggregated \$6.7 million for the nine months

- ended September 30, 2017 from our continuing strategy of providing more granular data at the property level;
- dividends declared and paid quarterly to shareholders during the three and nine months ended September 30, 2017 aggregated \$1.97 million and \$5.91 million, respectively, or a rate of \$0.17 per share in the first, second and third quarters;
- repurchases of the Company's common stock during the third quarter of 2017 aggregated \$0.6 million, for the purchase of 35,709 shares at an average price of \$17.95 per share, leaving approximately \$0.7 million available on our existing program to strategically purchase additional shares in the future;
- deferred revenue (\$25.0 million), Aggregate Revenue Under Contract (\$52.4 million) (see the "Supplemental Financial Information and Reconciliations from GAAP to Non-GAAP Metrics" section at the end of this earnings release for a definition and reconciliations of deferred revenue to Aggregate Revenue Under Contract) and the forward twelve-month component of Aggregate Revenue Under Contract (\$34.5 million) at September 30, 2017 each continue to demonstrate strong visibility into future revenue; and
- for the trailing twelve months ended September 30, 2017, the Company's base renewal rate (renewal rate, excluding price increases) was 86.5% and the renewal rate, including price increases, was 92.0%. These rates are improved from the reported trailing twelve-month rates at December 31, 2016 of 81.6% for our base renewal rate and 85.7% for the renewal rate, including price increases.

Additional Information

This press release should be read in conjunction with the quarterly report on Form 10-Q for the quarter ended September 30, 2017, which was filed with the Securities and Exchange Commission ("SEC") on November 7, 2017. In addition, see the "Supplemental Financial Information and Reconciliations from GAAP to Non-GAAP Metrics" section at the end of this earnings release for a definition and reconciliations of net income to EBITDA and Adjusted EBITDA for the Reis Services segment and on a consolidated basis, as well as for other information.

Investor Conference Call

The Company will host a conference call on Tuesday, November 7, 2017, at 11:00 AM (EST). This call is for the benefit of existing and prospective stockholders, stock analysts, and other interested parties to discuss the third quarter 2017 results, management's outlook for the remainder of 2017 and other matters.

The dial-in number from inside the U.S. and Canada for this teleconference is (877) 390-5537. The dial-in number for outside the U.S. and Canada is (760) 666-3763. The conference ID is 9268049, or "Reis." A replay of the conference call will be available from shortly after the conference call through 2:00 PM (EST) on November 14, 2017 by dialing (855) 859-2056 from inside the U.S. and Canada or (404) 537-3406 from outside the U.S. and Canada, and referring to the conference ID: 9268049 or "Reis." An audio webcast of the conference call will also be available on Reis's website at www.reis.com/events and will remain on the website for a period of time following the call.

About Reis

Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing, student housing and affordable housing properties, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.

The Company's product portfolio features: *Reis SE*, its flagship delivery platform aimed at larger and mid-sized enterprises; *ReisReports*, aimed at prosumers and smaller enterprises; and *Reis Portfolio CRE*, and other portfolio support products and services, aimed primarily at risk managers and credit administrators at banks and non-bank lending institutions. It is through these products that Reis provides online access to a proprietary database of commercial real estate information and analytical tools designed to facilitate debt and equity transactions as well as ongoing asset and portfolio evaluations. Depending on the product or level of entitlement, users have access to market trends and forecasts at metropolitan and neighborhood levels throughout the U.S. and/or detailed building-specific information such as rents, vacancy rates, lease terms, property sales, new construction listings and property valuation estimates. Reis's products are designed to meet the demand for timely and accurate information to support the decision-making of property owners, developers, builders, banks and non-bank lenders, equity investors and service providers. These real estate professionals require access to timely information on both the performance and pricing of assets, including detailed data on market transactions, supply, absorption, rents and sale prices. This information is critical to all aspects of valuing assets and financing their acquisition, development and construction.

For more information regarding Reis's products and services, visit www.reis.com and www.reisreports.com

Cautionary Statement Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to the Company's or management's outlook or expectations for earnings, revenues, expenses, margins, asset quality, or other future financial or business performance, strategies, prospects or expectations, or the impact of legal, regulatory or supervisory matters on our business, operations or performance. Specifically, forward-looking statements may include:

- | statements relating to future services and product development of the Reis Services segment;
- | statements relating to business prospects, potential acquisitions, sources and uses of cash, revenue, expenses, margins, net income, cash flows, renewal rates, valuation of assets and liabilities and other business metrics of the Company and its businesses, including EBITDA (as defined herein), Adjusted EBITDA (as defined herein) and Aggregate Revenue Under Contract (as defined herein); and
- | statements preceded by, followed by or that include the words "estimate," "plan," "project," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions relating to future periods.

Forward-looking statements reflect management's judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made certain assumptions. Future performance cannot be assured. Actual results may differ materially from those contemplated by the forward-looking statements. Some factors that could cause actual results to differ include:

- | lower than expected revenues and other performance measures such as net income, EBITDA and Adjusted EBITDA;
- | inability to retain and increase the Company's subscriber base;
- | inability to execute properly on new products and services, or failure of subscribers to accept these products and services;
- | competition;
- | inability to attract and retain sales and senior management personnel;
- | inability to access adequate capital to fund operations and investments in our business;
- | difficulties in protecting the security, confidentiality, integrity and reliability of the Company's data;
- | changes in accounting policies or practices;
- | legal and regulatory issues;
- | the results of pending, threatening or future litigation; and
- | the risk factors listed under "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission ("SEC") on March 9, 2017, including the "Risk Factors" section of these filings and the Company's other filings with the SEC, and are available at the SEC's website (www.sec.gov).

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this release. Except as required by law, the Company undertakes no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.

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Supplemental Financial Information and Reconciliations from GAAP to Non-GAAP Metrics

REIS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,443,113	\$ 21,490,586
Accounts receivable, net	10,014,544	10,743,505
Prepaid and other assets	1,040,049	792,991
Total current assets	<u>28,497,706</u>	<u>33,027,082</u>
Furniture, fixtures and equipment, net of accumulated depreciation of \$1,845,990 and \$1,082,793, respectively	5,163,799	5,260,443
Intangible assets, net of accumulated amortization of \$46,995,686 and \$41,861,561, respectively	19,441,536	17,922,282
Deferred tax asset, net	17,662,768	16,814,737
Goodwill	54,824,648	54,824,648
Other assets	236,894	295,349
Total assets	<u>\$ 125,827,351</u>	<u>\$ 128,144,541</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	\$ —	\$ —
Accrued expenses and other liabilities	3,646,253	4,031,444
Deferred revenue	24,971,999	25,031,100
Total current liabilities	<u>28,618,252</u>	<u>29,062,544</u>
Other long-term liabilities	2,491,237	1,902,081
Total liabilities	31,109,489	30,964,625
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.02 par value per share, 101,000,000 shares authorized, 11,476,776 and 11,272,150 shares issued and outstanding, respectively	229,536	225,443
Additional paid in capital	109,050,093	107,668,599
Retained earnings (deficit)	<u>(14,561,767)</u>	<u>(10,714,126)</u>
Total stockholders' equity	<u>94,717,862</u>	<u>97,179,916</u>
Total liabilities and stockholders' equity	<u>\$ 125,827,351</u>	<u>\$ 128,144,541</u>

REIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue:				
Subscription revenue	\$ 11,954,591	\$ 11,261,831	\$ 34,963,042	\$ 34,059,230
Other revenue	<u>137,178</u>	<u>275,344</u>	<u>963,901</u>	<u>1,916,367</u>
Total revenue	12,091,769	11,537,175	35,926,943	35,975,597

Cost of sales	2,944,607	2,925,212	9,527,037	7,881,536
Gross profit	9,147,162	8,611,963	26,399,906	28,094,061
Operating expenses:				
Sales and marketing	3,189,695	2,890,739	9,622,811	8,583,395
Product development	1,194,925	1,001,072	3,467,223	3,021,726
General and administrative expenses	3,987,280	3,933,992	11,820,321	11,555,444
Total operating expenses	8,371,900	7,825,803	24,910,355	23,160,565
Other income (expenses):				
Interest and other income	979	5,214	2,681	19,380
Interest expense	(32,511)	(28,709)	(97,117)	(78,250)
Total other income (expenses)	(31,532)	(23,495)	(94,436)	(58,870)
Income before income taxes	743,730	762,665	1,395,115	4,874,626
Income tax expense	286,000	297,000	5,000	1,864,000
Net income	\$ 457,730	\$ 465,665	\$ 1,390,115	\$ 3,010,626
Net income per common share:				
Basic	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.27
Diluted	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.26
Weighted average number of common shares outstanding:				
Basic	11,499,832	11,320,904	11,487,280	11,308,833
Diluted	11,774,684	11,764,210	11,758,368	11,745,499
Dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.51

Revenue Comparisons

In order to provide insight into 2017 and 2016 relative performance, we have disaggregated total revenue into two components: "Subscription" and "Other." Other revenue specifically includes revenue related to contracts for one-time custom data deliverables and one-time fees for settlements of previous unauthorized usage of Reis data. The following tables present subscription revenue, other revenue and total revenue for the three and nine months ended September 30, 2017 and 2016.

(amounts in thousands, excluding percentages)

	For the Three Months Ended September 30,					
	2017		2016		Variance	
	\$	% of Total	\$	% of Total	\$	%
Subscription revenue	\$ 11,955	98.9%	\$ 11,262	97.6%	\$ 693	6.2%
Other revenue (A)	137	1.1%	276	2.4%	(139)	(50.4)%
Total revenue	\$ 12,092	100.0%	\$ 11,538	100.0%	\$ 554	4.8%

	For the Nine Months Ended September 30,					
	2017		2016		Variance	
	\$	% of Total	\$	% of Total	\$	%

Subscription revenue	\$	34,963	97.3 %	\$	34,060	94.7 %	\$	903	2.7 %
Other revenue (A)		964	2.7 %		1,916	5.3 %		(952)	(49.7)%
Total revenue	\$	<u>35,927</u>	<u>100.0 %</u>	\$	<u>35,976</u>	<u>100.0 %</u>	\$	<u>(49)</u>	<u>(0.1)%</u>

Other revenue includes non-subscription revenue comprised of (1) non-subscription custom data deliverables and (2) one-time (A) settlements.

Reconciliations of Net Income to EBITDA and Adjusted EBITDA

We define EBITDA as earnings (net income) before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization and stock based compensation. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, senior management uses EBITDA and Adjusted EBITDA to measure operational and management performance. Management believes that EBITDA and Adjusted EBITDA are appropriate supplemental financial measures to be considered in addition to the reported GAAP basis financial information which may assist investors in evaluating and understanding: (1) the performance of the Reis Services segment, the primary business of the Company and (2) the Company's consolidated results, from year to year or period to period, as applicable. Further, these measures provide the reader with the ability to understand our operational performance while isolating non-cash charges, such as depreciation and amortization expenses, as well as other non-operating items, such as interest income, interest expense and income taxes and, in the case of Adjusted EBITDA, isolates non-cash charges for stock based compensation. Management also believes that disclosing EBITDA and Adjusted EBITDA will provide better comparability to other companies in the information services sector. However, because EBITDA and Adjusted EBITDA are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. EBITDA and Adjusted EBITDA are presented both for the Reis Services segment and on a consolidated basis. We believe that these metrics, for Reis Services, provide the reader with valuable information for evaluating the financial performance of the core Reis Services business, excluding public company costs, and for making assessments about the intrinsic value of that stand-alone business to a potential acquirer. Management primarily monitors and measures its performance, and is compensated, based on the results of the Reis Services segment. EBITDA and Adjusted EBITDA, on a consolidated basis, allow the reader to make assessments about the current trading value of the Company's common stock, including expenses related to operating as a public company. However, investors should not consider these measures in isolation or as substitutes for net income (loss), operating income, or any other measure for determining operating performance that is calculated in accordance with GAAP. Reconciliations of EBITDA and Adjusted EBITDA to the most comparable GAAP financial measure, net income, follow for each identified period on a segment basis (including the Reis Services segment), as well as on a consolidated basis:

(amounts in thousands)

Reconciliation of Net Income to EBITDA and Adjusted EBITDA for the Three Months Ended September 30, 2017	By Segment		
	Reis Services	Other (A)	Consolidated
Net income			\$ 458
Income tax expense			286
Income (loss) before income taxes	\$ 1,942	\$ (1,198)	744
Add back:			
Depreciation and amortization expense	2,042	—	2,042
Interest expense (income), net	32	—	32
EBITDA	4,016	(1,198)	2,818
Add back:			
Stock based compensation expense, net	—	546	546
Adjusted EBITDA	\$ 4,016	\$ (652)	\$ 3,364

Reconciliation of Net Income to EBITDA and

By Segment

Adjusted EBITDA for the Three Months Ended September 30, 2016

	<u>Reis Services</u>	<u>Other (A)</u>	<u>Consolidated</u>
Net income			\$ 466
Income tax expense			297
Income (loss) before income taxes	\$ 1,692	\$ (929)	763
Add back:			
Depreciation and amortization expense	1,647	1	1,648
Interest expense, net	24	—	24
EBITDA	3,363	(928)	2,435
Add back:			
Stock based compensation expense	—	524	524
Adjusted EBITDA	<u>\$ 3,363</u>	<u>\$ (404)</u>	<u>\$ 2,959</u>

Reconciliation of Net Income to EBITDA and Adjusted EBITDA for the Nine Months Ended September 30, 2017

	<u>By Segment</u>		<u>Consolidated</u>
	<u>Reis Services</u>	<u>Other (A)</u>	
Net income			\$ 1,390
Income tax expense			5
Income (loss) before income taxes	\$ 4,813	\$ (3,418)	1,395
Add back:			
Depreciation and amortization expense	5,897	—	5,897
Interest expense (income), net	96	(1)	95
EBITDA	10,806	(3,419)	7,387
Add back:			
Stock based compensation expense, net	—	1,656	1,656
Adjusted EBITDA	<u>\$ 10,806</u>	<u>\$ (1,763)</u>	<u>\$ 9,043</u>

Reconciliation of Net Income to EBITDA and Adjusted EBITDA for the Nine Months Ended September 30, 2016

	<u>By Segment</u>		<u>Consolidated</u>
	<u>Reis Services</u>	<u>Other (A)</u>	
Net income			\$ 3,011
Income tax expense			1,864
Income (loss) before income taxes	\$ 8,094	\$ (3,219)	4,875
Add back:			
Depreciation and amortization expense	4,719	6	4,725
Interest expense, net	59	—	59
EBITDA	12,872	(3,213)	9,659
Add back:			
Stock based compensation expense	—	1,580	1,580
Adjusted EBITDA	<u>\$ 12,872</u>	<u>\$ (1,633)</u>	<u>\$ 11,239</u>

Includes interest and other income, depreciation expense and general and administrative expenses (including public company related (A) costs) that are not associated with the Reis Services segment.

Deferred Revenue and Aggregate Revenue Under Contract

Two balance-sheet based metrics management utilizes are deferred revenue and Aggregate Revenue Under Contract.

Analyzing these amounts can provide additional insight into Reis Services's future financial performance. Deferred revenue, which is a GAAP basis accounting concept and is reported by the Company on the consolidated balance sheet, represents revenue from annual or longer term contracts for which we have billed and/or received payments from our subscribers related to services we will be providing over the remaining contract period. Aggregate Revenue Under Contract is the sum of deferred revenue and future revenue under non-cancellable contracts for which we do not yet have the contractual right to bill and excludes any future revenues expected to be derived from subscribers currently being billed on a monthly basis.

Deferred revenue will be recognized as revenue ratably over the remaining life of a contract for subscriptions, or in the case of future custom reports or projects, will be recognized as revenue upon completion and delivery to the customer, provided no significant Company obligations remain. At any given date, both deferred revenue and Aggregate Revenue Under Contract can be either positively or negatively influenced by: (1) the timing and dollar value of contracts signed and billed; (2) the quantity and timing of contracts that are multi-year; and (3) the impact of recording revenue ratably over the life of a multi-year contract, which moderates the effect of price increases after the first year. The following table reconciles deferred revenue to Aggregate Revenue Under Contract at September 30, 2017 and 2016, respectively. A comparison of these balances at September 30 of each year is more meaningful than a comparison to the December 31, 2016 balances, as a greater percentage of renewals occur in the fourth quarter of each year.

	September 30,	
	2017	2016
Deferred revenue (GAAP basis)	\$ 24,972,000	\$ 22,094,000
Amounts under non-cancellable contracts for which the Company does not yet have the contractual right to bill at the period end (A)	27,443,000	24,349,000
Aggregate Revenue Under Contract	<u>\$ 52,415,000</u>	<u>\$ 46,443,000</u>

(A) Amounts are billable subsequent to September 30 of each year and represent (i) non-cancellable contracts for subscribers with multi-year subscriptions where the future years are not yet billable, or (ii) subscribers with non-cancellable annual subscriptions with interim billing terms.

Included in Aggregate Revenue Under Contract at September 30, 2017 was approximately \$34,510,000 related to amounts under contract for the forward twelve-month period through September 30, 2018. The remainder reflects amounts under contract beyond September 30, 2018. The forward twelve-month Aggregate Revenue Under Contract amount is approximately 72.7% of total revenue on a trailing twelve-month basis at September 30, 2017 of approximately \$47,481,000. For comparison purposes, at September 30, 2016, the forward twelve-month Aggregate Revenue Under Contract was \$31,684,000 and approximately 63.1% of total revenue.

Source: Reis, Inc

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