

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

FORM 8-K

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

Date of Report (Date of earliest event reported) **May 8, 2019**

Redfin Corporation

(Exact name of registrant as specific in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-38160

(Commission File Number)

74-3064240

(IRS Employer Identification No.)

**1099 Stewart Street, Suite 600
Seattle, WA**

(Address of principal executive offices)

98101

(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(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, \$0.001 par value per share | RDFN | The Nasdaq Global Select Market |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On May 8, 2019, Redfin Corporation (the "Company") reported its financial results for the quarter ended March 31, 2019. A copy of the press release issued by the Company is furnished as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits.

| Exhibit Number | Description |
|-----------------------|---|
| 99.1 | Press release dated May 8, 2019 |

SIGNATURES

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

Redfin Corporation
(Registrant)

Date: May 8, 2019

/s/ Chris Nielsen

Chris Nielsen
Chief Financial Officer



Redfin First-Quarter 2019 Revenue up 38% Year-over-Year to \$110.1 Million

SEATTLE - May 8, 2019 - Redfin Corporation (NASDAQ: RDFN) today announced financial results for the first quarter ended March 31, 2019. All financial measures, unless otherwise noted, are presented on a GAAP basis and include stock-based compensation as well as depreciation and amortization expenses.

Revenue increased 38% year-over-year to \$110.1 million during the first quarter. Gross profit was \$2.8 million, a decrease of 52% from \$5.7 million in the first quarter of 2018. Gross margin was 3%, compared to 7% in the first quarter of 2018. Real estate services⁽¹⁾ gross profit was \$5.1 million, a decrease of 24% from \$6.8 million in the first quarter of 2018. Real estate services gross margin was 6%, compared to 9% in the first quarter of 2018. Operating expenses were \$70.2 million, an increase of 64% from \$42.9 million in the first quarter of 2018. Operating expenses were 64% of revenue, up from 54% in the first quarter of 2018.

Net loss was \$67.2 million, compared to net loss of \$36.4 million in the first quarter of 2018. Stock-based compensation was \$6.4 million, up from \$4.2 million in the first quarter of 2018. Depreciation and amortization was \$1.6 million, down from \$2.0 million in the first quarter of 2018. Interest income was \$2.3 million and interest expense was \$2.1 million, up from \$0.6 million and zero, respectively, in the first quarter of 2018.

Net loss per share, basic and diluted, was \$0.74, compared to net loss per share, basic and diluted, of \$0.44 in the first quarter of 2018.

"Redfin's traffic and revenue growth accelerated in the first quarter, and agent productivity increased for the first time since the second quarter of 2017, all while our earnings were better than our projections," said Redfin CEO Glenn Kelman. "Demand has been especially strong for mortgage, title, RedfinNow and our concierge service for painting and staging listings, increasing our conviction that these new services can combine with our brokerage capabilities to let us solve customer problems no other real estate company can."

Highlights

- Reached market share of 0.83% of U.S. existing home sales by value in the first quarter of 2019, an increase of 0.02 percentage points from the fourth quarter of 2018, and an increase of 0.10 percentage points from the first quarter of 2018.⁽²⁾
- Continued to drive strong traffic growth, with visitors to our website and mobile application increasing by 20% over the first quarter of 2018.
- Saved Redfin homebuyers and sellers nearly \$24 million in the first quarter, compared to a 2.5% commission typically charged by traditional agents.
- Launched Redfin.ca brokerage in Toronto and national search site on February 12. Redfin.ca now displays over 170,000 homes for sale across most provinces. From launch through the end of March, traffic to Redfin.ca increased by an average of 62% week over week. In the last week of March, over 165,000 people visited Redfin.ca.

- Launched a strategic alliance with RE/MAX in the U.S. and Canada that will expand our partner service to almost 5,000 U.S. zip codes and most provinces in Canada. This allows customers that come to our website to find a local real estate agent, even in areas where Redfin does not have capacity to serve customers.
- Expanded our brokerage service to Huntsville, Alabama. Redfin is now reaching customers across 91 markets and serves 78% of the U.S. population.
- Launched RedfinNow in Los Angeles and Dallas. RedfinNow is a service that buys homes directly from sellers for a seven percent fee, allowing them to move on with less hassle and more certainty. RedfinNow is also available in San Diego, Inland Empire, and Orange County, California, with plans to expand to additional markets this year.
- Further integrated RedfinNow into our brokerage operations in Dallas. When we meet with a seller about listing her home, our agent can also present a cash offer from RedfinNow, provided the home qualifies for RedfinNow and the seller requests it. We believe that most sellers want to have the opportunity to compare a cash offer with what they could get if they list on the open market with an agent. In Dallas, we've established a process to do this efficiently and we'll be rolling this out to certain other RedfinNow markets in the coming months.
- Launched RedfinNow Remote Offers. We can now give customers a cash offer remotely over the phone, without having to visit their house. Redfin can leverage Remote Offers to increase efficiency and expand RedfinNow to more markets across America.
- Announced an expansion of the Redfin Dallas operations by hiring engineering staff and expanding Redfin's mortgage and title businesses. With engineers working alongside our agents and mortgage and title teams, we will bring together technology and service to deliver a complete home-buying and selling solution.
- Launched a new pricing program in 11 markets to reward customers who both buy and sell with Redfin. In these markets, we'll charge a 1% listing fee for sellers who also buy with Redfin. Customers who only sell will pay a 1.5% listing fee, still a great value compared to traditional brokerages.
- Launched advertising campaign in 22 markets, including television, digital video, radio and outdoor media. The campaign is expected to run through May 2019.
- Launched influencer marketing campaign featuring home designer Bobby Berk, one of Queer Eye's Fab Five. The campaign started after Bobby Berk had a great experience using Redfin to find and buy his home in Los Angeles with a Redfin Agent.

⁽¹⁾ Prior to reporting our financial results for the second quarter ended June 30, 2018, we had one reportable segment ("real estate") that reflected revenue derived from commissions and fees charged on real estate services transactions closed by us or partner agents representing customers in buying and selling homes. Beginning with our financial results for the second quarter ended June 30, 2018, we recognized a new reportable segment ("properties") that reflects revenue from when we sell homes that we previously bought directly from homeowners. Concurrent with our recognition of the new "properties" segment, we changed the name of our "real estate" segment to "real estate services." Prior to our financial results for the second quarter ended June 30, 2018, we included the results from our "properties" segment as part of our "other" segment.

⁽²⁾ We calculate the aggregate value of U.S. home sales by multiplying the total number of U.S. existing home sales by the mean sale price of these homes, each as reported by the National Association of REALTORS®. We calculate our market share by aggregating the home value of real estate services transactions conducted by our lead agents or our partner agents. Then, in order to account for both the sell- and buy-side components of each transaction, we divide that value by two-times the estimated aggregate value of U.S. home sales.

Business Outlook

The following forward-looking statements reflect Redfin's expectations as of May 8, 2019, and are subject to substantial uncertainty.

For the second quarter of 2019 we expect:

- Total revenue between \$183.7 million and \$193.1 million, representing year-over-year growth between 29% and 35% compared to the second quarter of 2018. Properties segment revenue between \$30.0 million and \$35.0 million is included in the guidance provided.
- Net loss between \$14.7 million and \$11.3 million, compared to net income of \$3.2 million in the second quarter of 2018. This guidance includes approximately \$6.2 million of expected stock-based compensation and \$1.9 million of expected depreciation and amortization.

Conference Call

Redfin will webcast a conference call to discuss the results at 1:30 p.m. Pacific Time today. The webcast will be open to the public at <http://investors.redfin.com>. The webcast will remain available on the investor relations website for at least three months following the conference call.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal securities laws, including statements regarding expansion of our partner program and our RedfinNow operations, our integration of technology and service to offer a complete solution, and the continuation of our advertising campaign, each as described under *Highlights*, and our future operating results, as described under *Business Outlook*. We believe our expectations related to these forward-looking statements are reasonable, but actual results may turn out to be materially different. For factors that could cause actual results to differ materially from the forward-looking statements in this press release, please see the risks and uncertainties identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, as supplemented by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, both of which are available on our Investor Relations website at <http://investors.redfin.com> and on the SEC website at www.sec.gov. All forward-looking statements reflect our beliefs and assumptions only as of the date of this press release. We undertake no obligation to update forward-looking statements to reflect future events or circumstances.

About Redfin

Redfin (www.redfin.com) is a technology-powered residential real estate company. Founded by software engineers, we run the country's #1 most-visited brokerage website and offer a host of online tools to consumers, including the *Redfin Estimate*. We represent people buying and selling homes in over 90 markets throughout the United States and Canada. Our mission is to redefine real estate in the consumer's favor. In a commission-driven industry, we put the customer first. We do this by pairing our own agents with our own technology to create a service that is faster, better, and costs less. Since our launch in 2006 through 2018, we have helped customers buy or sell more than 170,000 homes worth more than \$85 billion.

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

| | Three Months Ended March 31, | |
|---|------------------------------|-------------|
| | 2019 | 2018 |
| Revenue | | |
| Service | \$ 88,768 | \$ 76,841 |
| Product | 21,373 | 3,052 |
| Total revenue | 110,141 | 79,893 |
| Cost of revenue ⁽¹⁾ | | |
| Service | 84,395 | 70,855 |
| Product | 22,993 | 3,342 |
| Total cost of revenue | 107,388 | 74,197 |
| Gross profit | 2,753 | 5,696 |
| Operating expenses | | |
| Technology and development ⁽¹⁾ | 15,556 | 12,762 |
| Marketing ⁽¹⁾ | 33,201 | 13,336 |
| General and administrative ⁽¹⁾ | 21,448 | 16,772 |
| Total operating expenses | 70,205 | 42,870 |
| Loss from operations | (67,452) | (37,174) |
| Interest income | 2,316 | 577 |
| Interest expense | (2,136) | — |
| Other income, net | 92 | 158 |
| Net loss | \$ (67,180) | \$ (36,439) |
| Net loss per share - basic and diluted | \$ (0.74) | \$ (0.44) |
| Weighted average shares - basic and diluted | 90,610,416 | 82,010,913 |
| Net loss | \$ (67,180) | \$ (36,439) |
| Foreign currency translation adjustments | 1 | — |
| Total comprehensive loss | \$ (67,179) | \$ (36,439) |

⁽¹⁾ Includes stock-based compensation as follows:

| | Three Months Ended March 31, | |
|----------------------------|------------------------------|----------|
| | 2019 | 2018 |
| Cost of revenue | \$ 1,465 | \$ 1,300 |
| Technology and development | 2,656 | 1,473 |
| Marketing | 286 | 119 |
| General and administrative | 1,999 | 1,304 |
| Total | \$ 6,406 | \$ 4,196 |

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

| | March 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 395,618 | \$ 432,608 |
| Restricted cash | 10,471 | 6,446 |
| Accrued revenue, net | 16,253 | 15,363 |
| Inventory | 38,306 | 22,694 |
| Loans held for sale | 15,748 | 4,913 |
| Prepaid expenses and other current assets | 13,586 | 14,223 |
| Total current assets | 489,982 | 496,247 |
| Property and equipment, net | 30,618 | 25,187 |
| Right of use assets, net | 32,737 | — |
| Goodwill and intangibles, net | 11,870 | 11,992 |
| Other non-current assets | 9,403 | 9,395 |
| Total assets | 574,610 | 542,821 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | 17,533 | 2,516 |
| Accrued liabilities | 54,064 | 30,837 |
| Other payables | 10,374 | 6,544 |
| Warehouse credit facilities | 15,193 | 4,733 |
| Current operating lease liabilities | 6,368 | — |
| Current portion of deferred rent | 68 | 1,588 |
| Total current liabilities | 103,600 | 46,218 |
| Non-current operating lease liabilities | 41,567 | — |
| Deferred rent | — | 11,079 |
| Convertible senior notes, net | 115,094 | 113,586 |
| Total liabilities | 260,261 | 170,883 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock—par value \$0.001 per share; 500,000,000 shares authorized; 90,926,249 and 90,151,341 shares issued and outstanding, respectively | 91 | 90 |
| Additional paid-in capital | 552,418 | 542,829 |
| Accumulated deficit | (238,160) | (170,981) |
| Total stockholders' equity | 314,349 | 371,938 |
| Total liabilities and stockholders' equity | \$ 574,610 | \$ 542,821 |

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

| | Three Months Ended March 31, | |
|--|------------------------------|-------------|
| | 2019 | 2018 |
| Operating activities | | |
| Net loss | \$ (67,180) | \$ (36,439) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 1,637 | 2,003 |
| Stock-based compensation | 6,406 | 4,196 |
| Amortization of debt discount and issuance costs | 1,507 | — |
| Non-cash lease expense | 1,216 | — |
| Change in assets and liabilities | | |
| Accrued revenue | (890) | 1,241 |
| Inventory | (15,612) | (3,286) |
| Other assets | 1,441 | 3,374 |
| Accounts payable | 14,848 | 1,029 |
| Accrued liabilities | 21,695 | 7,248 |
| Operating lease liabilities | (1,459) | — |
| Deferred rent | 69 | (268) |
| Origination of loans held for sale | (49,850) | (9,477) |
| Proceeds from sale of loans originated as held for sale | 39,015 | 9,887 |
| Net cash used in operating activities | (47,157) | (20,492) |
| Investing activities | | |
| Purchases of property and equipment | (3,151) | (2,305) |
| Net cash used in investing activities | (3,151) | (2,305) |
| Financing activities | | |
| Proceeds from the exercise of stock options | 3,732 | 5,946 |
| Tax payment related to net share settlements on restricted stock units | (818) | (59) |
| Borrowings from warehouse credit facilities | 48,557 | 9,265 |
| Repayments of warehouse credit facilities | (38,097) | (9,924) |
| Other payables - deposits held in escrow | 3,968 | 6,808 |
| Net cash provided by financing activities | 17,342 | 12,036 |
| Net change in cash, cash equivalents, and restricted cash | (32,966) | (10,761) |
| Cash, cash equivalents, and restricted cash | | |
| Beginning of period | 439,055 | 212,658 |
| End of period | \$ 406,089 | \$ 201,897 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 1,202 | \$ — |
| Non-cash transactions | | |
| Stock-based compensation capitalized in property and equipment | (270) | (124) |
| Property and equipment additions in accounts payable and accrued liabilities | (1,370) | (55) |
| Leasehold improvements paid directly by lessor | 1,963 | — |

Redfin Corporation and Subsidiaries
Supplemental Financial Information and Business Metrics
(unaudited)

Three Months Ended

| | Mar. 31, 2019 | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 | Sep. 30, 2017 | Jun. 30, 2017 | Mar. 31, 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Monthly average visitors (in thousands) | 31,107 | 25,212 | 29,236 | 28,777 | 25,820 | 21,377 | 24,518 | 24,400 | 20,162 |
| Real estate services transactions | | | | | | | | | |
| Brokerage | 8,435 | 9,822 | 12,876 | 12,971 | 7,285 | 8,598 | 10,527 | 10,221 | 5,692 |
| Partner | 2,125 | 2,749 | 3,333 | 3,289 | 2,237 | 2,739 | 3,101 | 2,874 | 2,041 |
| Total | 10,560 | 12,571 | 16,209 | 16,260 | 9,522 | 11,337 | 13,628 | 13,095 | 7,733 |
| Real estate services revenue per transaction | | | | | | | | | |
| Brokerage | \$ 9,640 | \$ 9,569 | \$ 9,227 | \$ 9,510 | \$ 9,628 | \$ 9,659 | \$ 9,289 | \$ 9,301 | \$ 9,570 |
| Partner | 2,153 | 2,232 | 2,237 | 2,281 | 2,137 | 2,056 | 1,960 | 1,945 | 1,911 |
| Aggregate | 8,134 | 7,964 | 7,790 | 8,048 | 7,869 | 7,822 | 7,621 | 7,687 | 7,548 |
| Aggregate home value of real estate services transactions (in millions) | \$ 4,800 | \$ 5,825 | \$ 7,653 | \$ 7,910 | \$ 4,424 | \$ 5,350 | \$ 6,341 | \$ 6,119 | \$ 3,470 |
| U.S. market share by value | 0.83 % | 0.81 % | 0.85 % | 0.83 % | 0.73 % | 0.71 % | 0.71 % | 0.64 % | 0.58 % |
| Revenue from top-10 Redfin markets as a percentage of real estate services revenue | 64 % | 66 % | 66 % | 68 % | 66 % | 69 % | 69 % | 69 % | 68 % |
| Average number of lead agents | 1,503 | 1,419 | 1,397 | 1,415 | 1,327 | 1,118 | 1,028 | 1,010 | 935 |

Redfin Corporation and Subsidiaries
Supplemental Financial Information
(unaudited, in thousands)

| | Three Months Ended March 31, | |
|--------------------------------------|------------------------------|------------------|
| | 2019 | 2018 |
| Revenue by segment | | |
| Brokerage revenue | \$ 81,314 | \$ 70,143 |
| Partner revenue | 4,576 | 4,781 |
| Total real estate services revenue | 85,890 | 74,924 |
| Properties revenue | 21,373 | 3,052 |
| Other revenue | 3,047 | 1,917 |
| Intercompany eliminations | (169) | — |
| Total revenue | <u>\$ 110,141</u> | <u>\$ 79,893</u> |
| Cost of revenue by segment | | |
| Real estate services cost of revenue | \$ 80,784 | \$ 68,164 |
| Properties cost of revenue | 22,993 | 3,342 |
| Other cost of revenue | 3,780 | 2,691 |
| Intercompany eliminations | (169) | — |
| Total cost of revenue | <u>\$ 107,388</u> | <u>\$ 74,197</u> |
| Gross profit by segment | | |
| Real estate services gross profit | \$ 5,106 | \$ 6,760 |
| Properties gross profit | (1,620) | (290) |
| Other gross profit | (733) | (774) |
| Total gross profit | <u>\$ 2,753</u> | <u>\$ 5,696</u> |