

# Realogy

## Earnings Call Q2 2018



CENTURY 21



Sotheby's  
INTERNATIONAL REALTY



CORCORAN



CARTUS



Terra  
Resource  
Group

zaplabs

**RLGY**  

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**LISTED**  

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**NYSE**

# Management Presenters



**Ryan Schneider**

Chief Executive Officer and President



**Tony Hull**

Executive Vice President, Chief Financial Officer  
& Treasurer



**Alicia Swift**

Senior Vice President, Investor Relations and  
Financial Planning & Analysis

# Important Disclosures

## **Forward-Looking Statements**

*This presentation contains forward-looking statements. The Company desires to take advantage of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Therefore, the Company wishes to caution each participant to consider carefully the specific factors discussed with each forward-looking statement in this presentation and other factors contained in the Company's filings with the Securities and Exchange Commission under the captions "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as such factors in some cases have affected, and in the future (together with other factors) could affect, the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed herein. The information contained in this presentation is as of August 3, 2018. The Company assumes no obligation to update the information or the forward-looking statements contained herein, whether as a result of new information or otherwise. RECIPIENTS ARE STRONGLY ADVISED TO READ THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION BECAUSE THEY CONTAIN IMPORTANT INFORMATION.*

## **Non-GAAP Financial Measures**

*Certain financial measures, as used in this presentation, are supplemental measures of the Company's performance that are not Generally Accepted Accounting Principles ("GAAP") measures. Refer to slides 15-17 of this presentation and Tables 1a, 4a, 4b, 5a, 5b, 6, 7 and 8 of the August 3 press release announcing second quarter 2018 financial results for the definitions of these non-GAAP financial measures, a reconciliation of these measures to their most comparable GAAP measures, and the Company's explanation of why it believes these non-GAAP measures are useful to investors.*

# Realty's Advantages in Residential Real Estate Market



**NATIONAL SCALE AND  
INDUSTRY-LEADING  
MARKET POSITION**

**~16%**<sup>1</sup>  
MARKET SHARE  
IN 2017



**WELL KNOWN AND  
ESTABLISHED  
BRANDS**



**POWERFUL  
FINANCIAL  
ENGINE**

**GENERATED \$1.5  
BILLION IN FREE  
CASH FLOW**  
IN THE PAST 3 YEARS<sup>2</sup>

**STRONG  
BALANCE SHEET**



**TECHNOLOGY AND  
DATA SCALE**

**LEVERAGE OUR APPROXIMATELY \$200 MILLION  
ANNUAL TECHNOLOGY SPEND AND OUR  
INDUSTRY LEADING DATA SCALE**

1. As reported in Realty's Annual Report on Form 10-K for fiscal year 2017, we estimate that our market share in 2017 was 15.9%, calculated in the manner set forth under Item 1. Business

2. For the fiscal years ended December 31, 2015, 2016, and 2017

# Q3 2018 Guidance

Housing Metric	Guidance Range
Transaction Volume (both RFG and NRT)	3% to 6%
Sides	-1% to +1%
Price	4% to 5%
RFG transaction volume	4% to 6%
NRT transaction volume	3% to 5%

*Guidance is as of August 3rd, 2018*

# Q2 2018 Results

<b>Net Revenue:</b>	<b>\$1.8 billion</b>	Up 2% compared with Q2 2017
<b>Operating EBITDA<sup>1</sup>:</b>	<b>\$276 million</b>	Increased \$7 million compared with Q2 2017
<b>Net Income and Net Income Per Share:</b>	<b>\$123 million, or \$0.97 per share</b>	Compared with \$109 million, or \$0.79 per share in Q2 2017
<b>Adjusted Net Income and Adjusted Income Per Share<sup>2</sup>:</b>	<b>\$127 million, or \$1.00 per share</b>	Compared with \$107 million, or \$0.78 per share in Q2 2017
<b>Free Cash Flow<sup>3</sup> and Capital Return:</b>	<b>\$192 million</b>	Returned \$223 million in share repurchases and dividends in 1H 2018

<sup>1</sup> See Slide 15 for a reconciliation from Net Income attributable to the Company to Operating EBITDA

<sup>2</sup> See Table 1a of our August 3, 2018 press release for a reconciliation from Net Income to Adjusted Net Income

<sup>3</sup> See Slide 17 for a reconciliation from Net Income to Free Cash Flow

Note: Refer to Table 8 of the Press Release dated August 3, 2018 for the definitions of these non-GAAP financial measures and the Company's explanation of why it believes these measures are useful to investors.

# Business Operating EBITDA

Operating EBITDA (\$ in millions)	Q2 2018	Q2 2017	\$ Change	% Change
RFG	\$173	\$167	\$6	4%
NRT (before PHHHL JV)	61	78	(17)	(22)%
PHHHL JV*	—	—	—	—%
Cartus	34	27	7	26%
TRG	31	26	5	19%
Corporate	(23)	(29)	6	**
<b>Total Operating EBITDA</b>	<b>\$276</b>	<b>\$269</b>	<b>\$7</b>	<b>3%</b>

Note: See Slides 15-16 for a reconciliation of Operating EBITDA to Net Income. Refer to Table 8 of the Press Release dated August 3, 2018 for the definition of Operating EBITDA and the Company's explanation of why it believes this non-GAAP measure is useful to investors.

\* NRT results exclude equity losses related to our former investment in PHH Home Loans LLC ("PHHHL JV Losses"), our former home mortgage joint venture with PHH Corporation ("PHH"). The current mortgage joint venture with Guaranteed Rate is reported in the TRG segment

\*\* Not meaningful



# Appendix



# Business Unit Revenue

Net Revenue (\$ in millions)	Q2 2018	Q2 2017	\$ Change	% Change
RFG	\$237	\$237	\$0	—%
NRT	1,408	1,392	16	1%
Cartus	105	102	3	3%
TRG	162	157	5	3%
Intercompany Eliminations	(92)	(95)	3	*
<b>Total Revenue</b>	<b>\$1,820</b>	<b>\$1,793</b>	<b>\$27</b>	<b>2%</b>

\* Not meaningful

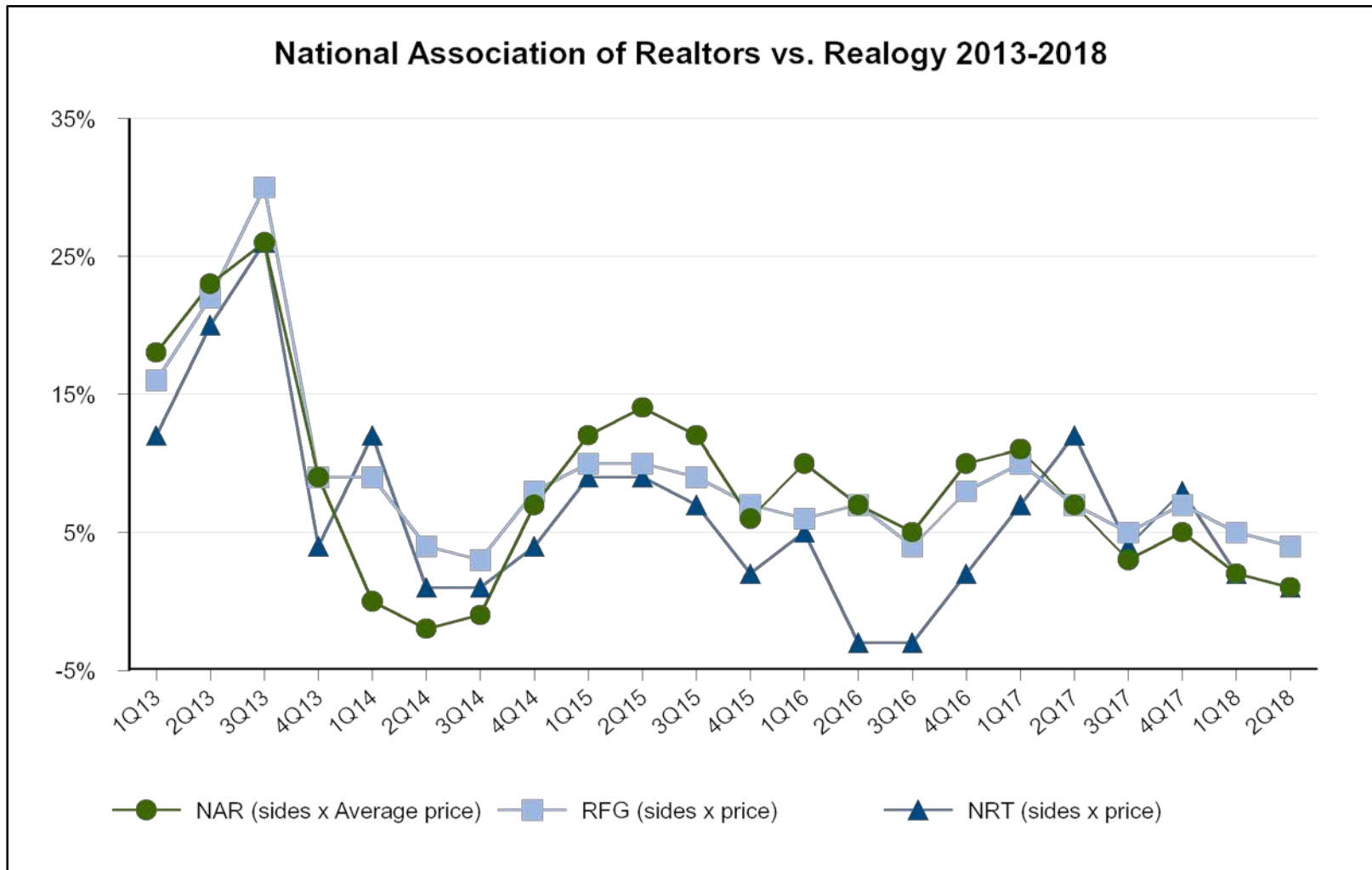
# Q2 2018 Key Revenue Drivers

Q2 2018 vs. Q2 2017

	Amount	% Change
<b>Realty Franchise Group</b>		
Closed Homesale Sides	313,278	(3)%
Average Homesale Price	\$312,087	7%
Average Broker Commission Rate	2.48%	(2 bps)
<b>NRT</b>		
Closed Homesale Sides	100,745	—%
Average Homesale Price	\$537,748	2%
Average Broker Commission Rate	2.43%	(1 bps)
<b>Cartus</b>		
Initiations	53,230	5%
Referrals	26,662	5%
<b>Title Resource Group</b>		
Purchase Title and Closing Units	46,189	(2)%
Refinance Title and Closing Units	4,782	(24)%
Average Fee per Closing Unit	\$2,282	7%



# Existing Home Sale Transaction Volume



Source: National Association of Realtors, Realogy data

# Capitalization Table

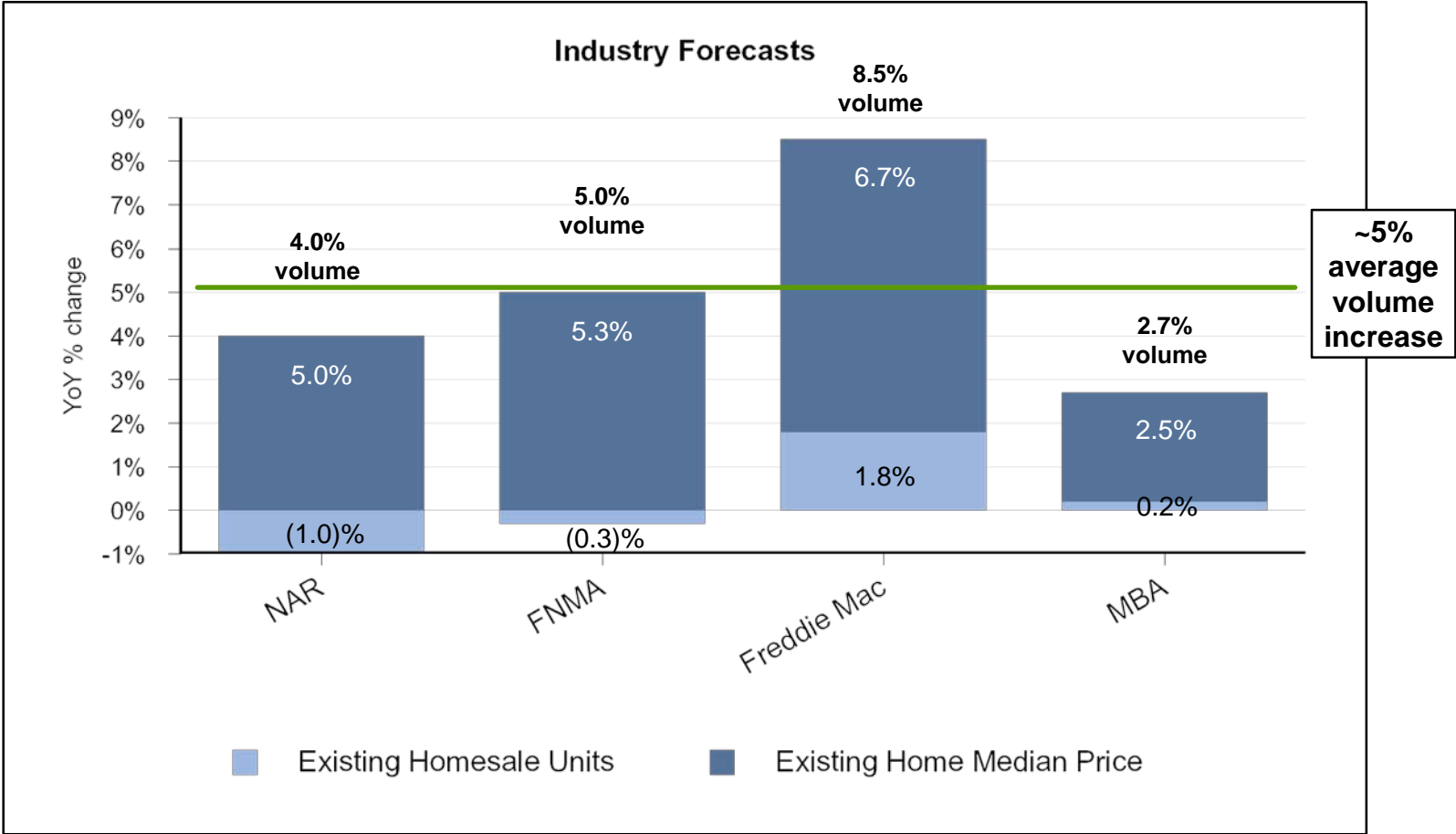
	Pricing	Maturity	As of June 30
Cash and Cash Equivalents			\$230
Revolver	L+225 <sup>(1)</sup>	February 2023	\$312
Term Loan A	L+225 <sup>(1)</sup>	February 2023	\$745
Term Loan B	L+225 <sup>(2)</sup>	February 2025	\$1,075
Senior Notes	4.50%	April 2019	\$450
Senior Notes	5.25%	December 2021	\$550
Senior Notes	4.875%	June 2023	\$500
Net Corporate Debt (excluding securitizations)			\$3,402
Net Debt Leverage Ratio <sup>(3)</sup>			4.3x

<sup>1)</sup> Adjusts up or down based on the previous quarter senior secured leverage ratio as defined by the senior secured credit facilities

<sup>2)</sup> Includes 75 basis points LIBOR floor

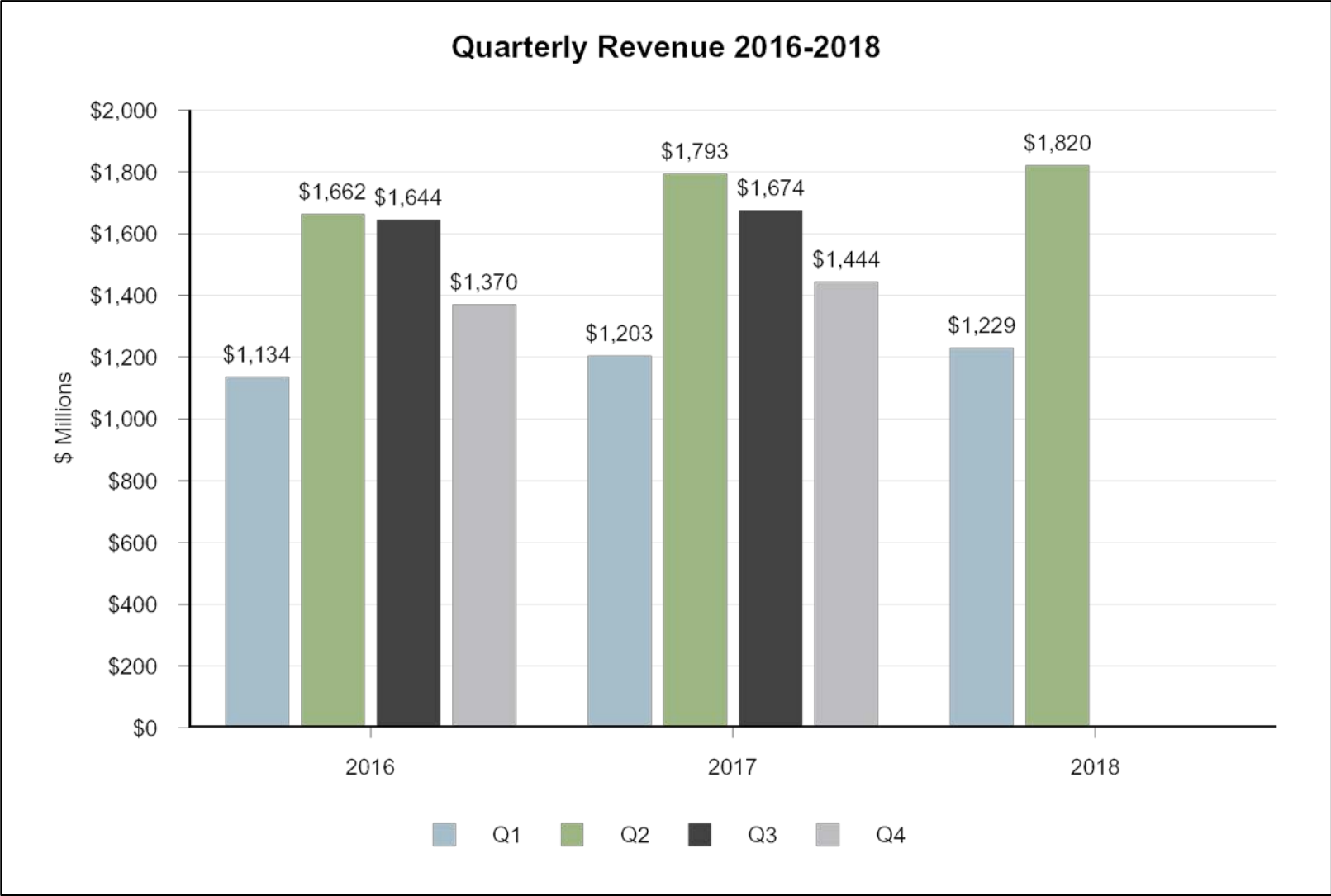
<sup>3)</sup> Defined as net corporate debt divided by EBITDA as defined by the senior secured credit facilities. See Table 7 of our August 3, 2018 press release for a Net Debt Leverage Ratio calculation

# 2018 Industry Forecasts



NAR forecast is as of the August Outlook. FNMA, Freddie Mac and MBA forecasts are as of the July Outlook. NAR, FNMA and MBA forecasts reflect unit and median prices increases. Freddie Mac price increases are represented by their respective Home Price Indices. Freddie Mac forecasts total homesale units (new + existing), which the Company adjusts by NAR projected new homesales

# Seasonal Revenue Trends



# GAAP Reconciliation

(\$ in millions)	For the Three Months Ended	
	June 30, 2018	June 30, 2017
Net income attributable to Realogy Holdings	\$123	\$109
Income tax expense	52	73
Income before income taxes	<b>175</b>	<b>182</b>
Depreciation and amortization	49	49
Interest expense, net	46	47
Restructuring costs, net	6	2
Former parent legacy benefit, net	—	(11)
<b>Operating EBITDA</b>	<b>\$276</b>	<b>\$269</b>

*Note: Refer to Table 8 of the Press Release dated August 3, 2018 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors*

# GAAP Reconciliation

(\$ in millions)	For the Three Months Ended	
	June 30, 2018	June 30, 2017
RFG	\$173	\$167
NRT	61	78
Cartus	34	27
TRG	31	26
Corporate and Other	(23)	(29)
<b>Operating EBITDA Total Company</b>	<b>\$276</b>	<b>\$269</b>
Less: Depreciation and amortization	49	49
Interest expense, net	46	47
Income tax expense	52	73
Restructuring costs, net (a)	6	2
Former parent legacy benefit, net (b)	—	(11)
<b>Net income attributable to Realogy</b>	<b>\$123</b>	<b>\$109</b>

a) Restructuring charges incurred for the three months ended June 30, 2018 include \$4 million at NRT, \$1 million at Cartus and \$1 million at TRG. Restructuring charges incurred for the three months ended June 30, 2017 include \$1 million at RFG and \$1 million at NRT.

b) Former parent legacy items are recorded in the Corporate and Other segment.

Note: Refer to Table 8 of the Press Release dated August 3, 2018 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors



# GAAP Reconciliation

(\$ in millions)	For the Three Months Ended	
	June 30, 2018	June 30, 2017
Net income attributable to Realogy	\$ 123	\$ 109
Income tax expense, net of payments	48	67
Interest expense, net	46	47
Cash interest payments	(66)	(62)
Depreciation and amortization	49	49
Capital expenditures	(24)	(20)
Restructuring costs and former parent legacy items, net of payments	(3)	(15)
Loss on the early extinguishment of debt	—	—
Working capital adjustments	28	72
Relocation receivables (assets), net of securitization obligations	(9)	(18)
<b>Free Cash Flow</b>	<b>\$ 192</b>	<b>\$ 229</b>

*Note: Refer to Table 8 of the Press Release dated August 3, 2018 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.*