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PRESENTATION

Alicia Swift - *Realogy Holdings Corporation - SVP IR*

Good morning everyone and thank you for joining us at Realogy's investor day. My name is Alicia Swift, I'm Senior Vice President of Investor Relations and Financial Planning. We have a full day planned, but before we begin, I would just like to go through a couple of logistics. First I would ask you all to silence your phone at this point. It would really be appreciated. Also for your convenience, we have charging stations. Looking at the agenda, you'll see we have presentations followed by Q&A. All the presenters will come up on stage after everybody is finished, so I would like you to hold your questions until that point so we have time allotted for them.

Also, for those of you here, all of the lunch tables are being hosted by Realogy representatives as well as all of the brand presidents, so you can also ask questions through lunch. To round out the day, we are honored to have some of our top franchisees here with us who will be able to give you insight from a franchisees perspective. I think you will all find that very interesting and informative. And finally, I will remind everyone that this presentation contains forward looking statements and actual results may differ from these statements. The presentation includes industry data and forecasts as well as certain non-GAAP financial measures.

I refer you to slide 2 of the presentation which includes cautionary statements regarding the use of forward looking statements and industry data and forecasts, as well as a note regarding non-GAAP financial measures. With that I would like to introduce Richard Smith, Chairman, CEO and President of Realogy.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

So, good morning. Welcome to Realogy. For those of you who are existing current investors. Some of these will be old news. For those of you who are new or perspective, we're going to do our best to educate you on the companies, so that it justifies the time that you've devoted to this morning, in this occasion. So thank you for being here.



Realogy is remarkable company. We're unique by design and without precedent in our industry. We're the largest franchise and we're the largest segments of the US economy. We have the largest market share by a wide margin. We manage prominent and exciting contemporary real estate brands.

The manager team has proven having delivered extraordinary results during both the economic downturn and the corresponding house correction and now the housing recovery. It is now fully engaged in capitalizing on the growth opportunities of the housing recovery.

Throughout our presentation today, you will hear recurring themes, growth, costs and operating margins. What keeps us awake at night are the commitments we made at the time of the IPO, to delever the balance sheet, generate substantial cash flow and put the company in a position to return capital to shareholders, a commitment we have not changed in the least.

Senior management is highly incentivized to reduce debt and increase our margins, an (inaudible) form of equity compensation. It is you accomplish those goals or you don't and the penalties for failure are severe.

Our approximately 60 most senior managers of the company are also through equity compensation incentivized to improve operating margins of the company.

As I said, we must also be smart and competitive, ensuring that the appropriate investments are made to keep this company at the top of its game. With that said, let's begin.

We continue to believe that we are in a long-term housing recovery but not a straight-line recovery, 2014 is a case in point. Thus far, 2014 is exhibiting signs of a slower market on units offset by higher average price. We believe this is a pause in an otherwise strong housing recovery.

So we're going to go through a couple of slides and I'm going to put the bulk of our time today and our business units but there some points that we need to make as foundational points before our business unit present.

So let's looks at the composition of the current home buyer, with the takeaways from this are the institution investors are declining, the mom-and-pop investors are picking up a little bit of that slack but as a percentage of the overall transaction volume, the investor is declining.

First-time buyer, clearly, since 2010 has been flat lined, well-below its run rate. It should be in the neighborhood of 34% to 38%, the National Association of Realtors will tell you it should be as highest as 40% of all transactions. That is opportunity which we believe is yet to produce results.

Credit remains tight as we indicated in our first quarter earnings report and we've said on numerous occasions, publicly and privately, the credit box is too tight.

Normal underwriting for Fannie and Freddie should be in the range of 720. FHA should be 650 to about 660. It's clearly running well ahead but trending in the right direction. So tight credits, solely improving, ever so slowly, this again speaks to the opportunity ahead of us.

Inventory levels and sources of inventory continue to remain tight. Again, this is a comment that we made in our first quarter earnings report. We had very strong demand, insufficient inventory to sell both at the mid-market and high-end of most markets.

The potential triggers for our inventory increases which we all ask ourselves every day -- what is going to change this dynamic? Home price appreciation will continue to put more homes back into the market in the form inventory but the seller needs to be sure that they can get the price they need to meet whatever financial goals they've set for themselves and they're all recovering in theory from the downturn.

Recovering negative equity CoreLogic is a great resource for this data. CoreLogic will tell you that there are 4 million homes came out of negative equity in 2013, presumably, they become new inventory at some point. And one point too, more homes additional to the 4 million should come into positive equity with a 5% increase in price which they anticipate will occur in 2014. Still, 6.5 million homes remain in negative equity.



So, through an improvement in the negative equity, that is going to be a contributor to inventory, to move up buyer activity very essential to a full housing recovery, the move up buyer can't sell, they can't move because there's nowhere to go.

So, as the log jam is improved through new construction, which essential in any housing recovery, this too will correct itself of that we are confident. New construction is now running about half what it has been historic in terms of starts, if you look at all the first quarter conversations that occur to the public builder side, they, with almost no exception, commented on the expected growth in the first time buyer and their need to move into that market with new product that would meet that new demand.

Rental rate increases, rent versus owned, the multi-family guys can't help themselves. They will eventually price themselves out of the market. In fact, as you'll see when we get to some of this discussion later perhaps, they have already done that.

And again, the normalization of underwriting standards, you'll hear us say that loud and clear throughout this process and that is that the credit box needs to be expanded.

Now, this is going to contribute to that. The mortgage mix is shifting the purchase market, the refi business is about off 70%, that's going to result in the mortgage companies moving more into the purchase money and being more aggressive in purchase money. We're already seeing indications of that. We think that will accelerate in the quarters to come.

Again, being more competitive, trying to offset the owners fee structure of a typical FHA first-time buyer mortgage.

This is an interesting for a variety of reasons, displays the mix of business for us. This is RFG, our franchise side of the business and you will see that clearly the mid-market to the high end of the market has captured a higher percentage of our mix of business, the first-time buyer in the zero to 300 range has declined. So, the opportunity for growth again, as we have said numerous times, rest in the first-time buyer market.

So, we are a fee for service business, as we have been since the very beginning, that's how we constructed this company. There are four business units that will speak to you today, the RFG which is our franchise side of our business. We're at our core, a franchisor, about 10%, 11% of our offices are company-owned. The bulk of our offices are franchised and have been since we built this company in 1995.

So Alex Perreillo will speak to the franchise side of our business. He is probably one of the industry's thought leaders on both policy and how this business operates. He's got extensive experience in both operating real estate brokerage firms and serving as the franchisor. So he'll speak to you in a moment.

Top right of our chart, NRT is a company-owned offices, Bruce Zipf, who's been with us for an extended period of time has built this company from literally no offices through our office count today, will speak to how he's operating this business and some of the interesting new and creative ideas that we have with respect to lead generation.

Cartus is our relocation company, the largest and most prominent employee relocation company in the United States. At its core, it's managing real estate transaction. It's essential to us for a variety of reasons and he'll explain that when he gets the opportunity to speak to you.

Title Agency, if we were a smaller company, this is something that we'd probably outsource through a third party and we would outsource the economics, given our size and scale, we prefer to capture those economics as opposed to sharing them with a third party, we do that quite well and Don Casey also a terrific thought leader with respect to how Title operates in this country will speak to the operation and the future of TRG, our Title Agency company.

So, I'm just going to step aside, I want to introduce Alex Perriello, the CEO of RFG. I will be back in a few moments to talk about some other things that might be of interest to you as many of us as well. So Alex, it's all yours.

Alex Perriello - Realogy Franchise Group - President and CEO

Good morning, everyone. Thank you for being here. As Richard mentioned the RFG is the world's largest real estate franchisor. I'm sure you're all familiar with our brands -- Coldwell Bankers, Century 21, Better Homes and Gardens, ERA, Sotheby's International Realty, and Coldwell Banker Commercial.

On a combine basis, our brands do business in 103 countries around the world and our unique strategy, our unique multi-brand strategy allows us to have multiple franchisees serving the same market, thereby allowing us to have a greater share of that market.

It's not uncommon to drive through towns across America and see all of our brands represented. We could certainly not have that level of market share if we just had one or two brands.

There's several things that we do very, very well which is on the bottom left of the slide. We deliver compelling value propositions to our franchisees. We sell franchises. We service franchises and we renew franchises.

Some key metrics about our business that you may find interesting. The average franchisee tenure is 20 years with our brands. The industry average is 11 years. Typically, franchise agreements are 10 years in duration. The franchise retention rate for last year was 98%, so the people who are with us, like us, and they stay, and no one franchisee has more than 1% -- represents more than 1% of our total revenue which with of course the exception of NRT.

Going to the next slide, is really how we generate revenue. And I wanted to just make sure that everyone here was aware of how real estate commissions work and how they're divided. There are two sides because I'm going to talk about transaction sides. You'll hear transaction sides mentioned throughout the day. There are two sides to every real estate transaction. There is the sell side up and then there's the buy side.

In the commission rate, whatever the seller agrees to pay as a commission is usually split between the buy side and the sell side. So as an example, if a seller had agreed to pay a 5% commission to sell their house, they would have signed a listing agreement with the listing broker. And at a closing, let's say another company, another agent from a different firm represented the buyer, they will split the commission, in most cases equally, so each company would get a 2.5% commission rate. So when you hear transactions side, just think there are two transaction sides to every home sale.

Now, let me just walk you through this, if you start on a top left, those are the number of homesale sides that we conducted in 2013 at the franchise group, that's the aggregate of all of our franchisees. The average home price as you can see \$233,011 in change. The average broker commission rate; that is on the per side basis was 2.54%. And then our net effective royalty fee rate at 4.49% and that equals when you do the math that equals our total net domestic franchise royalty revenue which was \$299 million.

Now, important to note, that does not include the \$265 million that we get from the NRT. And that's paid to us at a 6% royalty fee rate.

Looking at our operating structure. Each of our brands, it's important to note are they're separate. They have separate leadership. They have separate marketing and service teams. In all respects, they act autonomously.

Now, what makes us an efficient organization is that we have a shared services platform underneath those brands that provide all of the services that you would expect like admin and compliance and franchise audit and franchise sales and human resources, legal and information technology, so those are all shared by the brands.

It's a very highly efficient structure that's why our margins consistently are north of 60%. In addition to us delivering great service to our franchisees, we can do that at a fraction of a cost then it would take if all of these brands will run separately and they all had to have all of those various departments. So the shared services make us very, very efficient organization.

Taking a look at our royalty fee distribution. The top chart right in the center, 44% of our branded offices are located domestically here in the US and 56% are outside the US.

The most developed international countries for us are China, Japan, France, Canada and Australia on the international side.

However, you need to know and on the graph to the right of that that 96% of our revenues come from domestic US franchisees. And the reason for that is we are a direct franchisor. We have a direct relationship with our franchisees here in the US, and with the exception of Sotheby's, we have master franchisees that represent us in countries around the world. That's why there's a revenue difference there as it relates to international versus domestic.

Going through the brands. Our biggest brand are based on sales associate account and office location at Century 21. Coldwell Banker is our largest brand based on transaction sides which includes NRT in the graph. Coldwell Banker Commercial is a brand under the Coldwell Banker umbrella. They have 195 offices currently. Two-thirds of those are separate stand alone commercial offices. The balance are operated by residential franchisees that will operate as Coldwell Banker Residential and Coldwell Banker Commercial.

And when you look at Coldwell Banker Commercial as part of Colwell Banker overall, it represents 3% of their annual revenue. BHG has done a very good job to start up brand, spending business now for five years. In 2013, completed the year with 55,000 transaction sides and it's growing, that's up to 36% over the previous year.

SIR, Sotheby's International Realty is growing and obviously the high end of the market with had terrific acceptance of the brand not only here domestically but also globally. They now have 52 countries represented now with the Sotheby's International brand.

Each of our brands as you will see has notable name awareness and when you add it up, it's pretty amazing. Our brands have 200 years of brand equity in the real estate space.

Let's look at the competition for a second. We are bigger than our three closest competitors, both in office and agent counts. We do have smaller national competitors in some regional players who have looked at franchising as a way to expand their business.

They are primarily in certain regions of the country. They have limited appeal outside of their geographic area where their names are well known. And most of the franchises that they do award are to small companies.

Looking at our franchise sales and we are a growth focused company. It is a top priority at the RFG to grow our business. If you look in our statistics, 40% of the realtors are affiliated with the franchise brand, 60% are not which leaves us plenty of room for growth of both franchisees and sales associates.

And there are several factors that the same NAR study where this came from, indicated that really support their franchising model. The franchises are typically larger than companies that are not franchised and 44% of them have more than four offices, 87% of the firms that are franchised said it improved their name recognition, 85% said it improved their use of technology and 83% said it improved their ability to get listings which are all very, very important to brokers.

Now, we have a very strategic approach to franchise sales. We don't wait around for the phone to ring. We don't sit around the table and say -- I wonder who would like to buy a Century 21 franchise today. We have a very, very focused approach.

We are the largest, and we operate the largest real estate franchise team in the industry. We have 60 people in the field representing our individual brands out there talking to brokers.

So this strategic approach is on the bottom of this particular slide. It's market driven. Every brand at the beginning of the year will sit down and look at where are my top 10 underserved markets and unserved markets. And then, they will meet with their franchise counterparts, their franchise sales counterparts and say -- who are the brokers in that market that we need to go after? Who should we be talking to? And then they put a plan together to go out there focus market by market to build the brand in those markets where they need presence. And the brand presidents, and you'll get to meet them at lunch, ask them who their top prospect list are and they're probably have that in their pocket. They have their own group of brokers that they know they have relationships with, that they focus on bringing those potential clients to the table.



Let's talk about the impact of franchise sales. This is for 2013. Our 2013 sales is on a net basis after terminations represented a little over 20,000 incremental transaction sides which if you look at it a different way, that's about 2.2% of our total sides from 2012. So, that is how we can outperform the market through franchise sales, whatever the market is doing, we can add a layer over that or between 1% to 2% every year and that's accretive. Those are new franchise companies that we bring in to each of our brands.

This next slide is really what it's all about. And I'm going to spend some time on this and have a few supplemental slides here that are not in your books but I wanted to go through each of those value proposition elements a little bit more in detail. Probably, put another way. This is why our franchisees pay us is because what we bring to the table.

The reality of it is and I have been doing this for a long time. If you wanted to attract the best sales people and the best -- at the most favorable commission rates and attract the most consumers, today, you really have two choices as an unaffiliated company, you have two choices. One, you leverage our size, scale and expertise and join one of our brands and take advantage of everything that the brand offers. And pay a fee for that at the closing which is typically split with the agent or if you don't do that, you have to do it all yourself.

So you spent time as your broker developing tools, creating tools, keeping them updated and doing it all yourself, trying to just keep up with what's going on in the market, what's going on in the industry and not spending the time on execution, on the activities that really help you make money. So, it's the choice that brokers have to make.

So if you look at the brand recognition, it's important to note right here that we are conversion franchise business. We go to existing companies that are unaffiliated, talk to them about their businesses, what they want to do, how they want grow, what their plans are, and then show them a way that the brand can help them improve their business.

Now the reason I tell you that is it's different than a business format franchise where -- the fast foods are a perfect example -- a McDonald's or a Burger King where this is the way you do business, this is how it's done. Everything is outlined.

We're a conversion business. We franchise successful real estate companies and help them be more successful. So there is a unique difference there. We don't segment the brands with the exception of Sotheby's International Realty, we don't segment our brands. They're all very, very competitive with each other and when a broker makes a decision -- and I've sat in on literally hundreds if not thousands of presentations where we meet with prospective brokers to talk them about the brands, they make the decision with both sides of their brain. They're sort of the analytical side. They look at everything that we offer and they say, well, how will that help me make more sales? You get more listings. How will that help me improve my business? In many cases they'll look and say, well, I could stop doing something that I'm doing now and replace it with that so that would be a savings for me. And they look at very analytically on a dollar and cent basis.

The other side of it, which is equally important and sometimes even more important, is the emotional side of this. They look at it and say, well, how do I feel about this brand? How do I feel about the people who are running the brand? How do I feel about the brokers who were affiliated with this brand around the country? What will my agents think when I make the announcement? How will my customers think about this? This is all very, very important in making this decision.

And in many cases we will have prospective brokers come here and look at two brands. They all know the brands have great operating systems and tools and technology that will take you through in a second. But what they are looking for is the cultural fit. Who do I feel most comfortable with? Where can I see myself spending the next 10 years? That's very, very important.

And each of the brands has their own unique personality. I'm looking out here with the brand presidents, Coldwell Banker, Coldwell Banker Commercial. Both of those brands have the legacy of 108 years. They've been around that long. Their reputation is stable, professional, quality service. That resonates with brokers. They like that. That may be of importance to them over anything else.

Century 21, the largest, most recognized brand in our portfolio, known around the world. For a broker who's in the business and maybe starting a business and trying to grow their business into new markets, no one knows who they are. But if they put a Century 21 sign in front of a building,



everybody will know what business they're in. If they put a Century 21 sign out in someone's lawn, it doesn't need a for sale sign on it. People already know the brand.

ERA is an amazing organization. ERA has a culture that's been 40 years in the making of being a very collaborative community. And it is not uncommon and I've heard this hundreds of times for that organization where an ERA broker would literally fly across the country at their own expense to help another ERA broker. And they don't expect anything in return. It's almost difficult to describe that feeling within that organization and that's why I believe it's a great competitive advantage. If you can't describe something, you can't copy it.

Moving on to Better Homes and Gardens. Better Homes and Gardens, it's a growth brand. It's new, it's exciting. There's a lot going on in that brand. A lot of brokers are attracted to that. They like being part of something that's new and starting out because maybe they feel their voice will be heard because it's a smaller network they can have more of a voice and a direction of where a brand is going.

And Sotheby's International Realty, that's for the high-end. Brokers who do business in the high-end are attracted to that brand. That name is synonymous with the high-end and that's the reason why their average sell price is three times the national average.

So the beauty of our organization is we can give a prospective broker choice. No matter where they are, what they're thinking, the likelihood is we have a brand that will fit their personality. I'm sorry, I didn't mean to go into that one here. Let me back up just a second. There's really a lot more that we offer and I that's what I want to get into right now than just a brand, the brand is very important, but let me just take you through some of the items of the value proposition and just to go through them very, very quickly.

From a technology side, now these are the things that all of the brands offer to their franchisees. They may do it a little differently, they may package it a little differently but these are the core elements that exist across all of these brand platforms. Lead management, customer relationship management, recruiting platform, online learning, business management which are the tools to analyze and look at your business. We call it Crest EDG here at the company. Buyer and seller presentations, brand intranet sites that let you know everything that's available.

The marketing, marketing is extensive. National brand advertising, consumer websites on a global basis, niche market websites like luxury and waterfront properties. Many of the brands provide a local consumer website for their broker, if they choose to use that which is there's a PC version, there's a mobile version of it. These are things that when a broker looks at that, they'll say how much of my spending operate my website. I can get a website from the brand. Maybe this is better than I thought when they start doing the analytic side of it.

YouTube channels, search engine optimization and search engine marketing, broker-to-broker referrals. These are all very, very important. When you join the brand you expect as you will get referrals from other members of the same brand.

And finally Cartus, when you're going to hear from Kevin a little bit later this morning, but the Cartus Broker Network is very, very important to our franchisees. That's an incremental source of business. So where that's available and the broker qualifies and has the right personnel in place that's a very big advantage for us as part of this value proposition in marketing.

Let's go to field consulting. We provide dedicated business consultants to our franchisees. They are value proposition expertise so they know what the brands have to offer and they can consult with the broker. Business planning and financial planning, they actually sit, these business consultants sit with the broker and go through their P&Ls. Look for ways that that broker can be more profitable. Things that they should do, maybe stop doing, but they are very, very consultative in that regard. Looking at market analytics and business analytics, what's your competition doing. Maybe we should be talking to this company or that company about acquiring their company.

Best practices, very, very important of what other brokers of their size are doing around the country. That could be very, very important to a broker. Networking, learning events, conferences and succession planning. Succession planning is very, very important in our business and we do that quite well. One strategic initiative we have going forward now is our future leaders network. We have identified the next generation of franchisees. These are family run businesses in many cases. And the brokers now are grooming their kids or their grandkids to run the business. So we've created networks for those people, we provide education, so that when they do get the keys they are ready to take over that business.



And finally growth dedicated franchise sales team, acquisition and roll-in support, competitor analysis and strategy. So they'll actually sit down with the broker and work out a growth strategy. And then once they've identified the targets go out there and have in-person leadings and bring those people to the table and sell the value propositions. So those are really the highlights of what our value proposition looks like at the brand level.

This slide is just to give you a little bit of an overview of what happens to listings and how listings get to where they're going. A lot of times people don't quite get how this industry works as it relates to this. It all starts with the listing agreement. And I'll just go through this. And what that is an exclusive authorization to sell that property. And that's executed by the listing company and it's really the asset of the broker.

Most brokers in most every part of the country or member of an MLS. So what is an MLS do? I hear that a lot. They aggregate all the listings content that that the broker send them that in there MLS they distribute that and share that information back with the members. This is a very important point they establish the policies and the rules and regulations around commission sharing. They do arbitration if there's a problem in that regard. And at the broker's request they will distribute those listing to third parties. But again, it's with the members' authorization that they distribute those listings. There's 870 MLSs across the US and they are governed by the local membership of that MLS.

So with that is a backdrop, let me move in to the brand web strategy. We have an overall umbrella strategy for the brand. Almost every broker today would have their own website, but above that it's an umbrella brand which is the brand website, which has aggregated all of the brand listings from all across the country, all across the globe in one location. And the purpose of that is to provide incremental leads to our franchisees. And the brands, all of the brands have the same forward objectives, deliver a great customer experience, build brand awareness and preference, generate incremental leads to the franchisees and have a anywhere, anytime, any device strategy.

Now in addition to that we have a listing distribution strategy. Here, since all of our brokers send us all of their listings, we aggregate them into a shared listing database and then we send them out with the brokers' permission to the third parties. And because of our size and scale, we have agreements, distribution agreements with all of these third parties as to what they can and cannot do with our content. And we have what they want and we are big advertisers with these third parties. So it is in their best interest to always keep us happy and engaged in the process.

Now let's take a look at how the strategy works and you'll see the graph on the left, shows you the brand -- these are the leads, the lead volume from the brand websites in total. This shows you a four-year trend of 46% CAGR on leads from the brand sites with a conversion rate of 5.6%. You look the graph to the right, that's leads from all other sources that would include the third party sites, newspapers and multitude of other sites where leads come in. That grew at 27% over the last four years with the conversion rate of 2%.

What that to me suggests and sort of proves the theory if you will in this business is that the closer you get to the content, the originator of the content, the higher the conversion rate is as it relates to leads. And if you do the math on the total here, the brands represented 26% of the leads that went to their brokers this year which is incremental business obviously that these brokers enjoy being part of the brand and if they're not part of the brand those are leads that they're missing out on.

Just talking quickly about a couple key drivers that we look out our average broker commission rate, again going to that example that I said on the buy side and the sell side, this is on per side basis. Average broker commission is really been fairly steady at end of the year, a 2.5%, 4% which speaks volumes about the value that our brokers and agents and their affiliated agents bring to the table. The net effective royalty fee rate is something that we manage very, very carefully, very, very closely. And there are several things that impact then net effective royalty fee rate. One are the growth incentives that we offer our franchisees which I will share with you in a moment.

But there are some other things that have impacted it over the last few years. The economic downturn 2007 to 2011, we terminated a thousand small companies, a little over thousand small companies, who were unable to pay us their royalty fees. These were small companies that did not qualify for any performance rebates and because of their size. So that was one of the factors.

Second, we rolled in 500 companies that were distressed into larger franchisees. Most of the distressed companies because of their size weren't eligible for performance award. They rolled into in many cases companies that were so that had an impact on net effective royalty fee rate. And



we've seen a shift in the amount of business, our top 250 franchisees are doing. I'll share a graph with you in a second on that to see how that has changed over time.

What we have learned through all of this is the same size and scale that these large companies had that they've got them through the downturn, propel them now to outperform the market as it's improving. Right now and again our forecast for net effective royalty fee for this year is 4.50. I believe we reached the new normal as it relates to net effective royalty fee rate. Here's how the performance award works, I'm getting signal back here that we're running a little bit long on time. But if you look at that really what boils down to is a company that grows by \$5 million in one year it shows you the impact of that performance award. And when you look at it basically we give up \$99,000 in royalty fees to pick up an additional 200,000 in royalty fees. So it makes sense and it's a huge incentive for our brokers to grow.

Looking at this, this slide really gives you a bit of the geography how we are geographically well-dispersed around the country. With the west being our largest region with 33% of our offices in the West, the South 34%, the Northeast 18% and the Midwest 15%. Again the top 250 represents 60% of our revenue. You can see the trend over the last several years from all the way back to 2005 how that has increased over time.

And then renewals, something that we look at every day. You can see our renewals in the out years starting this year for the next several years. They're in a five to 8%, 9% range which is very, very manageable for us, because again 10-year franchise agreements, every 10 years they come up for renewal.

And finally just to wrap with our goals and objectives, we will continue to increase the value proposition. This is something we're relentless and we do work on every day. Franchise sales goal, they continue to add incremental transaction sides of 1% to 2% above market, enhance the productivity of our franchisees, invest in technology, lead generation and management and assist franchisees with acquisitions. It's all about helping them grow their business. Maintain highly historically high franchise retention rates and continue to focus on net effective royalty fee rates and our expense structure to enhance profitability going forward.

So with that, I would like to bring up and introduce Bruce Zipf. Bruce is my biggest franchisee. So Bruce, can help with your chair or you're going to come up. Come on up, Bruce. Thank you very much.

Bruce Zipf - NRT LLC - President and CEO

Thank you, Alex. Good morning everyone. Today I would like to provide an overview of NRT's operations, review our key business drivers and the trends that we have seen in real estate over the last several years, highlight our key business objectives and the strategies in place to achieve these key objectives.

So NRT is the world's largest real estate company in the world with over 700 real estate offices servicing 40 of the most affluent real estate markets in our country. As a result, NRT's average sales price of \$471,000 in 2013 is twice the national average. From a competitive standpoint, NRT sales volume is 2.5 times greater than our closest competitor. NRT operates on multiple Realogy franchise brands such as Coldwell Banker, ERA, and Sotheby's International Realty. We also operate under the Corcoran Group primarily in the New York City markets, the Hamptons and Palm Beach.

NRT has a number one or number two market share position in the markets we service. In 2013 our 42,000 plus sales associates closed a \$149 billion in closed sales volume. In addition, NRT provides a full service range of other related services that complement our real estate corporate business such as mortgage with a joint venture with PHH Home Loans, property management, commercial, resort rental and title all rounding this out as a true full service real estate companies.

NRT's diverse group of attractive real estate markets provides a strong balance as the fact that real estate markets tend to behave or act more on a regional and local basis versus a national basis. This point is highlighted if you look at our 2013 NRT market trends. In the northeast 2013 over 2012, the northeast experienced a 14% increase in home sale sides and only a 1% increase in sale price. Conversely our California market had 0% increase in sides but 13% increase in price. As a result, NRT is able to take advantage of those market conditions.



To maximize operating efficiencies, NRT supports the back office of the 40 real estate markets it serves through six regional support centers. This allows us for operating efficiencies, but equally as important, NRT can expand its real estate footprint without adding significant back office overhead cost.

NRT has four key business drivers -- home sale sides, home sale price, average broker commission rate and sales associate split.

As Alex indicated and outlined, a home sale side represents either the sale or the purchase of a home sold. Every home sold includes two sides. When NRT is involved in a real estate transaction, we may be involved in both sides or just one. You'll see in 2013, NRT posted 306 -- over 316,000 closed sides which is significantly less than the high point in 2004 -- 2005, excuse me, of 468,000.

Home sale price represents the average home sold by NRT. In 2013, that was \$471,000 which was approximately a 6% increase over 2012 and very similar to the 2005 average sales price. However, it's important to point out that since 2005, NRT has reduced its sales office count by approximately 450 offices. And for the most part, those markets that we merged or consolidated offices where lower priced markets.

Average broker commission split -- average broker commission rate per side. This represents the real estate commission percentage rate NRT receives on each home sale side that we participate in. The average broker commission rate or ABCR is influenced by average sales price, thus, the higher the average sales price, the less the average broker commission rate. ABCR is normally split between the purchase side and sales side evenly. NRT's ABCR over the last couple of years has remained steady at 2.5%.

Sales associate split, this is the percentage split or percentage payout the agent receives on the gross commission. Most agents are paid out on a graduated basis based on each agent's closed sales volume. The most productive sales associates are paid at the highest percentage split. Most commission schedules reset at a lower rate based on the anniversary date of that sales associate.

The increase in percentage payout to agents over the last several years is again in part to the closure of the 450 offices I referenced before. Because during that timeframe, NRT sales associate base went from approximately 64,000 to 42,000, 44,000 as it sits today. That 20,000 drop was primarily lower producing agents that got out of the business or didn't remain with us and they were paid out at a lower percentage payout.

NRT has five key business objectives. Our first one is our organic growth strategy, to recruit and retain productive sales associates. Second is our acquisition strategy for existing and new markets; enhancing operating efficiencies and performance based both on the revenue side and on the expense side through leveraging technology; and increasing primary services and secondary revenue stream. And our fifth and most important is improving our EBITDA margins.

Now, executing on the first four that I outlined will increase EBITDA margins for NRT. In addition to that, management is very focused on our gross profit margins, reviewing our operating expenses, our primary ones being brick and mortar, human resources and marketing, and constantly focused on our back office support through our six regional support centers.

Recruiting sales associates is a key NRT organic growth strategy. Some of the competitive advantage we utilize to organically grow our businesses is through outlining and highlighting the skill of our local operating management and our senior management team. We also highlight our best of class of marketing, technology and training platforms to our potential recruits.

NRT's local operating company management team includes a President, Regional Management, Sales Office Manager or Branch Manager and Administrative Support, all of whom are local to the area they serve.

The Sales Office Manager, the Branch Manager is key to the recruiting effort in the residential brokerage arena because they will develop the closest business relationship with our agents. One way we measure our organic growth success is the gross revenue generated by our recruiting class.

In 2013, NRT recruited its highest level of production based on gross commissioned revenue of \$187 million and at the same time recruited the greatest number of agents of well over 9,100 agents. The average NRT agent in 2013 recruited to our company generated \$21,000 of gross commission.



Retaining our most productive sales associates is also key to our organic growth strategy. NRT retains 94% of its top two quartile agents based on gross revenue, which represents approximately 90% of our total revenue generated.

Again, the sales office manager and local senior management team are a key component to retaining our top performing sales associates. Since most sales associates remain with NRT because they believe the sales office management and the management team will enhance their ability to be most productive and, thus, earn the most commission income.

In addition, we highlight our marketing, technology and training platforms. Commission splits alone are not the sole reason why sales associates remain with NRT. We believe our 94% retention rate of our top agents is an example and highlights how they value the NRT operation.

Acquisitions. NRT has a long history of acquiring and growing the company through acquisitions. NRT has completed over 400 acquisitions with some 100 plus offices to single office acquisitions. Today, NRT's acquisition strategy is very focused and defined with an eye on existing real estate companies in our existing markets and new markets with high growth potentials and strong demographics.

The recent acquisition of Martha Turner Properties in Houston, Texas this January is an example of new market strategy that we deployed. Identifying companies within NRT's existing footprint is very accretive to NRT since many of the back office administrative functions of that company we acquired are eliminated and folded into our regional support centers. In addition, merging sales offices into one another is very accretive. This point will be further outlined in the next presentation.

Leveraging technology to enhance NRT's operating performance is a key business strategy. However, before we go into that, it's important to point out that most of where our business comes is not from technology or the Internet. It comes from, according to the National Association of Realtors Survey, from our agents' sphere of influence and past clients. And thus, the importance of our organic growth strategy and our acquisition strategy is key to the success of outsourcing our business.

However, today most buyers and sellers look to the Internet and technology tools to gain information on the real estate process and the marketplace before they connect with a sales associate. In the Internet space, there are two types of real estate websites. There's real estate brokerage websites and there's consumer-oriented websites.

Real estate brokerage websites focus on the marketing of the listing, promotion of the company, promotion of the agent and a call to action to get this consumer or the viewer to the sales associates so that the real estate process can begin.

Consumer-oriented real estate websites like Zillow and Trulia focus more on general demographics, market trends, provide marketplace information. And it's a place where individuals get and garner information of the real estate process before they actually start looking for inventory or a home.

Although the Internet represents a relatively small part of the source of business, the Internet provides a great way to cultivate real estate leads and to build a customer base.

So to put the Internet in perspective, in 2013, NRT received 1.5 million leads from its real estate Internet websites. Interestingly, 30% of these leads came from NRT's local operating company websites and the remainder came from the 700 plus real estate related websites which we participate in. NRT's real estate website not only generated the greatest amount of leads, but they're also the highest quality of leads and this is because the viewers coming on to the local operating company websites to NRT are at a point in time where they're interested in viewing the home and connecting with the sales associate.

Of the 700 plus real estate websites, the top three are Realtor.com, Zillow and Trulia. NRT has a comprehensive marketing agreement with these three website providers which provides for prominent placement of our listings, provides for personal promotion of our agents and company branding.

Now let's talk a little bit about the 1.5 million leads that were generated from this initiative. Most of these 1.5 million leads are reviewed and what we refer to as scrubbed by one of our three regional call centers. And approximately 130,000 of these real estate leads were assigned to one of our



4,000 e-agent team members. An e-agent sales agent is an NRT agent who has been trained by our company to service our Internet leads, recognizing that these leads had been reviewed and scrubbed by the company and have one of the highest potentials of turning into an actual sale and closed business.

Furthermore, an agent on the e-team uses as a lead that they would not have. In return, the e-agent agrees to a 35% referral fee which is retained by the company and in most cases, a reduced commission split.

Most of our e-agents are in the second and third quartile and it is an opportunity for this group of agents to build their business. Company-generated referral leads to our e-agents enhances our overall gross profit margins twofold.

So let me take you through some of the math behind that. As I just noted, we generated 130 assigned leads of which in 2013, 4,500 of these leads were converted into closings. This slide highlights the difference between a traditional lead or a traditional closing and a referral closing.

Under a traditional closing, let's assume an average sales price of \$300,000. As I pointed out, NRT's average broker commission rate is 2.5%, so that generates a gross commission of \$7,500. Or assuming a 70% agent, meaning a 70% to the agent, 30% to the company dollar, so 30% to the company would generate \$2,250 of closed gross profit.

Versus a referral closing, same sales price, \$300,000, average broker commission rate 2.5%, but first, 35% of that \$7,500 is taken off the top and goes directly to the company as a referral fee of \$2,625. The remaining portion of that commission is then split between the agent and the company. In this case, we assume that elevated split to the company less split to the agent, in this case we used 40%, you can see that the company dollar that that generated, and thus, the two together combined doubles the amount of gross profit and the percentage that we can generate. Thus, the importance of generating more Internet leads and doing a better job in converting these leads to a closing is a key business objective.

The real estate lead channel has very distinctive stages as highlighted by the left side of the slide. It's a tongue twister. Developing technology strategies to leverage and manage each stage is critical to enhancing the company's lead generation, i.e. creating more leads and doing a better job in converting them.

In 2014, NRT is working and will be rolling out several initiatives to accomplish this. In the creating more lead category, in 2014, NRT will be consolidating most of our local operating company websites under one URL. We believe this will enhance our relevance within the search engines and elevate our viewership and create more leads.

Also in 2014, NRT will be launching our own consumer real estate website. This website will have Web features outside of the traditional real estate website arena. We believe we are the only real estate brokerage company that is entering this space in the consumer real estate arena.

In order to manage the leads even better, we will introduce a highly integrated contact relationship management system to all of our 42,000 sales associates so we can manage the leads better and convert them better. Our call centers are going to be equipped with a broader contact relationship management software system also so that they can manage and convert these leads better.

We believe these strategies will increase our referral closings from the 4,500 we closed in 2013 twofold over the next several years to 13,000 closed units. Once the real estate transaction is under contract and is ready to go to closing, NRT's online transaction management system, HomeBase, will connect the client, the agent, the company and the vendor to the real estate transaction in an online world. This will streamline communication, it will pave the way for a paperless environment and will enhance operating efficiencies.

Increasing NRT's revenue stream through greater penetration of our primary services is another key objective. In 2013, primary services generated \$66 million of EBITDA contributions. In addition to enhancing our more traditional forms of primary services, mortgage and title, NRT will continue to focus on enhancing our operations in the commercial, property management, resort rental, property casualty insurance and home warranty services.

In conclusion, NRT's national strength coupled with its strong real estate offerings and expertise, and its progressive technology platforms and related real estate services will propel NRT's growth which will further strengthen Realogy's financial position. Thank you.

I am now going to bring up what we refer to, the Ryans -- Ryan Gorman and Ryan Melone, who will take you through our acquisition strategy. Ryan and Ryan.

Ryan Gorman - NRT LLC - SVP, Strategic Operations

Good morning.

Ryan Melone - NRT LLC - SVP, Strategic Development

Good morning. And just to avoid confusion, that's Gorman, this is Melone. No confusion. So what we'd like to do today is just spend a little bit of time discussing with you our M&A strategy and some examples of some of the deals that we do here at Realogy.

We have an in-house M&A team that handles all the transaction activity from start to finish, so deal sourcing, valuation, negotiation, diligence and closing. We handle all business units, so everything from Cartus to RFG to TRG. However, NRT probably makes up about 90% of all of our transactions. As you'll see, most of our examples are really specific to the NRT world.

So first thing we want to do is just go through some of the transaction types of the process.

Ryan Gorman - NRT LLC - SVP, Strategic Operations

So really, since NRT's founding, our field and executive leaders have understood that a core part of their role is to identify talented individuals, exceptional companies and attractive markets, and then to utilize our acquisition program as a tool to eliminate barriers between those opportunities and our company.

So here on this slide, we've outlined some of the various forms those opportunities can take. Roll in at the top. This is typically a one or two office consolidation, maybe a few million dollars in revenue. It's highly capital efficient because we fold that group directly into our existing footprint. No incremental bricks and mortar, rarely much in the way of incremental fixed cost. In addition to the capital efficiency, the attractiveness to us is that it results in a stronger, more market-leading position for the sales office, which is important for the existing and future sales associates to grow their business. And it creates a more attractive recruiting platform for us, so attractive from many different angles.

If we identify a neighborhood or a city that we would like to serve or potentially serve better than we currently do, we look for the group or organization that we think serves that area exceptionally well. And if there's a good cultural fit with us, a good commission plan fit with us, and a good leadership fit, then we'll acquire that office or that opportunity. And it may remain as a stand-alone office, but then we very quickly thereafter execute on roll-in and walk-over and recruiting strategies to grow that office and trying to exploit the attractive market as much as we possibly can to achieve the position that we think is appropriate for NRT in that market.

When it comes to a multi-office acquisition in an existing market, it's really just a blend of the prior two strategies but augmented by elimination of a lot of back office expense. So again, highly capital efficient but, far-and-away, the most attractive aspect of these is not just the returns but the fact that it strengthens the market position. And again, we always focus on making our organization extremely attractive, more attractive every day to our existing sales associates and to those who we'll seek to recruit.

When it comes to entering a new market, Bruce outlined some of the dynamics of the markets that we currently serve. We look to take the best aspects of those and replicate them when we seek to enter a new market. But we also seek to look at the segments within a new market that are most attractive to us and who the market leaders are there.

Again, if there's a good cultural fit and, most importantly, if those leaders view the business of residential real estate sales the way we do, then we quickly look to acquire that organization and then execute across our recruiting walk-over and acquisition platform to grow the organization to the level we think is appropriate for that new market.

And we've included some statistics here, just to give you a market sizing. Real Trends, you may know, is an industry publication. So we've given you some idea of how many opportunities there are in each of these categories. It's a little misleading because we have pretty codified strategies for how we look to grow and many of these companies would fall outside of those strategies. We don't take a look at companies that fall outside of our strategies.

Occasionally, we'll get a question when someone sees a company trade and says -- why didn't NRT acquire them? It looks like you would want to. You can rest assured 9 times out of 10 or sometimes 10 times out of 10 in a given period, we had an opportunity. If we didn't acquire them, we either took a look and there was a strategic misalignment that maybe wasn't obvious to an outsider, or the seller's terms were simply outside of the terms we feel appropriate.

So we are aggressive, but we're extremely diligent in sticking to the terms that we think are appropriate. So we try to remain vigorous in that.

Ryan Melone - *NRT LLC - SVP, Strategic Development*

So the next slide, we want to go through some simple examples of some of the deals we do, some based on fact -- we'll go through those as well. The first thing is a simple pricing strategy example.

So in this example, we're looking at a mid-sized roll-in, a company that's about \$7.5 million in revenue; they have company dollar or gross profit after the agents are paid of around \$2.25 million and adjusted EBITDA in this case of \$750,000.

So there are many factors that actually impact the multiple we're willing to pay off of the \$750,000, some of which Ryan Gorman mentioned. But it has to do with strategic importance -- the size of the company, the impact that'll have on our organization. So in this example, we used five times as the multiple.

In that, we structure our deal in two ways. We have a cash at close component. The cash at close component is generally about 60%. In this case, it's exactly 60% of the total transaction cost. And an earn-out component. And the earn-out is 40% in this case. And what it does is incentivize the owner, the seller, to participate in the transition and to help assist the company in a successful transition. The reason for that is that we tie the earn-out to the production of the sales associates that come over and stay with us. So anybody that leaves, even if they do a transaction or two, generally don't count towards the earn-out.

So in this example, as you see, the earn-out is \$750,000 in Year 1 and \$750,000 in Year 2. So there's a significant component over a two-year period that enables us to hopefully get the buy-in of the seller and the buy-in of the agents to participate in the success of the transaction.

Next, on the same example, we're going to take it a little further and go into the created earnings of the deal. So again, using the same metrics, so a revenue of \$7.5 million and gross profit of \$2.25 million, sellers suggested EBITDA is \$750,000. The one thing you'll note is there's a synergy component. So this what Ryan talked about earlier, that in roll-ins we have leverage in our office footprint, in savings on payroll, in advertising and all other types of transaction cost.

So we get, actually, a result of \$1 million in incremental created earnings for Realogy. How that's broken down -- in one of the earlier slides, I think you saw the make-up of EBITDA for Realogy as a whole. So as you break it down, RFG is the significant or the majority of that million dollars. Obviously, NRT is paying the 6%. So that translates into \$450,000 of earnings for RFG.

NRT also, due to the leverage that they have, would make about \$350,000 in this transaction. And then TRG and our mortgage JV have \$150,000 and \$50,000 respectively.

One thing you'll know is we talked about a five-time multiple previously. What this shows here is that we have a five-time multiple to the seller, but internally is a 3.75 multiple. And that's just leveraging our footprint. And in a roll-in, you're able to do that and actually result in a better multiple for the company internally.

So the next example here is augmenting an existing market. Again, one of the types of transactions we just talked about. In this case, we are going to focus on one thing, which is the synergy delay; and also the impact of the deal over time.

So in this example, it's a \$40 million company, it's a pretty large transaction for an existing market. With this \$40 million, we expected to have an incremental EBITDA between \$5.3 million and \$7 million over the first three years of the transaction.

The reason that the first year is a little bit less than the others is there's a synergy delay to implement the transaction. So we'll get into a little bit more about that, but you'll see that the ROI, return on investment, goes from 22.4% to 28.9% in the third year. And that is a direct result of that synergy delay.

Ryan Gorman - *NRT LLC - SVP, Strategic Operations*

Yes. So just a note on the synergy delay, it is quite intentional. One of the most important aspects to any transaction for us is retention of the sales associate talent we sought to acquire in the first place.

So we've noted over, as Bruce mentioned, 400 transactions. We've gotten this down to -- not quite a science but pretty close -- a well-orchestrated closing and announcement of this design to within hours of signing, typically get in front of the vast majority of the sales associates, the impacted employees, sometimes even landlords, inform them about what they should expect over the coming days, weeks and months, speak with the sales associates about how we will be transitioning and growing their business in the very near future.

We want to do that expeditiously, but we don't want to rush it. So that's why we always bake in a 90-day delay. We typically don't utilize that full period of time and we realize synergies earlier. But, nonetheless, we want the latitude to work within that period of time.

Ryan Melone - *NRT LLC - SVP, Strategic Development*

Right. So just to wrap up on this slide, you'll also see at the bottom of the page the return on revenue for NRT versus Realogy as a whole. So, the NRT, because they have the fixed cost of the deal, are at a lower return on revenue. It does increase over time, but again, because of the synergy delay, it's a slower ramp-up. In the second year, you're almost fully realized with all the synergies.

The next slide, we're actually going to skip this slide in interest of time. This is just one that would show the seasonality impact in Year 1 if we were to do a transaction in January of a given year or early in the year in any given year.

The last example we want to show you is entering a new market. So entering a new market, again, is a type of transaction. Bruce mentioned that we did Martha Turner, which was a type of a new market entry for us. We also have done many new market entries over the past.

This one, in particular, is an example, again based on real numbers that we acquired in around the 2010 timeframe. You'll see that the initial return or expected return in this transaction was 22.6%. So throughout the next three or four years, we did a couple of things.

One that we did is we acquired three additional companies. At those times, when we acquired those three additional companies, we did them at better returns than the initial investment that we made. Part of that is for the reason that we have an existing footprint now and we're able to leverage that through roll-ins and additional synergy.



Ryan Gorman - *NRT LLC - SVP, Strategic Operations*

So, again, these roll-ins, they're attractive financially, as you can see. But each of them, in this particular example, which is a relatively real example, wish to achieve a specific office-related objective. So each of them strengthened one of our previous existing offices; none of them resulted in incremental footprint or incremental fixed cost. But each of them improved the platform for our existing sales associates and importantly, the recruiting platform. So you can see, they're relatively small deals but they have big impacts on their offices, which helped us to achieve the growth that you can see in the final year.

Ryan Melone - *NRT LLC - SVP, Strategic Development*

Right. And that growth was a direct result of the tack-on acquisitions that we did, the recruiting efforts by entering the market. Market improvement had some issue with that -- something to do with that. And at the end of the day, you're looking at a 52% ROI.

So in this particular transaction, we probably made our money back already over the first three years. And in the initial investment, we certainly didn't think that would happen as quickly. But obviously, we've tried to bake in some conservative assumptions and when we do some tack-ins and additional recruiting, we can return a better rate, so at 52% in this case.

I think that takes care of everything. I know we're a little bit short. But we are going to probably hit a break now for 10 minutes, so --

Ryan Gorman - *NRT LLC - SVP, Strategic Operations*

It's 10.13, so about 10.25.

Ryan Melone - *NRT LLC - SVP, Strategic Development*

Yes, about 10.25, so we'll come back and we'll start up again.

[break]

Alicia Swift - *Realogy Holdings Corporation - SVP IR*

All right. Next up, for the presentations, I'd like to introduce Kevin Kelleher, who is the president and CEO of Cartus.

Kevin Kelleher - *Cartus Corporation - President and CEO*

Thank you, Alicia, and good morning. So my job over the next 15 minutes is to try to hopefully help you understand why Cartus is part of the Realogy family. And what I'd like to do to begin is maybe just take a moment and tee up a little bit about what we are and then we'll get into I think the special sauce or the Coca-Cola special ingredient that should answer a lot of questions of why contribute so much to the value circle of Realogy.

So we're a leader in global mobility. For several people in the room, we provide their relocation services both domestically and internationally to your organizations. We have a broad and growing global footprint, an enviable list of Fortune 500 clients. We represent 50% of the Fortune 500 clients are clients of ours for over 15 years; 2,800 employees worldwide with about 30% of those employees operating outside of the US today. We deliver our services from three regional centers, one in the US, one is the UK, and one in Singapore as well as 20 plus onsite client-located centers that we deliver services to customers and clients from, and a very wide array and broad reaching supply chain that we work with.

The services we offer range from helping people buy and sell homes when they're moving for their corporate employment. We help them move their household goods. We help them secure temporary housing and as the global footprint has grown, we provide a wide array of international household goods, services, domestic and internationally we move their freight, consulting language and financial services.

You might find it interesting that last year we processed just over 500,000 expense accounts for our clients and about 652,000 vendor bills on behalf of clients as well. We enjoy long, tenured relationships and if you look at the right half of this slide you'll see how our revenues are generated, typically, a combination of service fees we receive from clients, combined with commissions that we receive from brokering and managing the transportation of household goods both domestically and internationally. Plus, referral fees that we realized from the successful placement and closure on real-estate referrals to broker partners. And then other revenues such as net interest income on funds that we advanced to transferees and assignees.

So that's kind of the tee up of who we are and what we do, but it really doesn't speak to the value of our family relationships. So here is what really is the value of Cartus. We manage domestic US real-estate transactions and we process those transactions in such a way that they're placed with the family members, the quality is scrutinized. The performance management is highly scrutinized. At the end of the transaction we successfully complete real-estate closings within family from multiple verticals or multiple customer bases that we have the opportunity to work with.

So we take a look at this next slide. You'll see at the top of the slide the real-estate transactions that we offer are extremely, highly valued to our member companies, our family members. Cartus on the top passes to all the brands. They come from the three verticals that you see here or the three basis of customers from which we were. First of all, the corporate space, corporate clients moving one of you from point A to point B for your employment engages Cartus to a contractual relationship to help us sell your home in the old location, find you a new home in the new location and then any of the other ancillary services that might go along with that, transport your goods, help you find a schooling, provide you with language training, whatever it might be.

But the crux and the secret to that entire equation is the client is often incented through the financial arrangement they have with us to ensure that their customer, their employee that's moving uses Cartus and uses the Cartus broker network, hence a customer that flows into family.

If we look at the second base there, Affinity, those are membership organizations, Navy Federal Credit Union, USAA, Discover Card, organizations that promote to the Affinity of their membership, the fact that real-estate program is being provided whereby high-quality realtors, high-quality firms are available to their membership in order help them buy and sell homes. Oftentimes there's a motivation that the client, in the case USSA or Navy, has a mortgage program so they would like to promote the mortgage availability to their membership but everyone knows you don't need a mortgage unless you're buying a home. We're the vehicle by which they buy homes, 99% of every customer that comes through that channel works through the Cartus broker network, our family of brands.

To give you a feeling for that, last year we had 136,000 placements just in Affinity alone into our family of brands. And the third area, broker to broker, the network we work with is a select group of firms within the broader family of brands within Realogy. Each one of those firms is contractually obligated to work within the confines and the parameters and the expectations of our clients and their customers and their policies and their programs, we manage that carefully but we also compel them to find customers from their retail base and send those customers to their sister and brother firms in the locations where their retail customer may be moving. There used to be a joke in real-estate that said -- I got the listing, did you asked them where they're moving? No, I didn't think too. Well, they are moving somewhere because they're listing their home, find out where they're going and lead them to another family member. Last year we had 50,000 placements through Cartus in that vehicle alone.

So what attracts clients to come to us and it's really the Cartus broker network. It's the power of the brands and it's the high-quality and market recognition that each one of those brands brings to the equation. Over 30% of our network are Coldwell Banker. Just under 30% are Century 21. ERA represents 15% and Better Homes and Gardens and Sotheby's is right now at about 9% and growing.

The second very unique feature is the [Agent 18]. It's an agent differentiation. It's not just any agent in any firm. They are specifically selected, trained, background checked and certified. They're graduates of certification programs through the program specifications of each and every client that we work with. So any customer whether they're coming from IBM or Microsoft, whether they're coming from Navy, Federal or USAA or even



if they're coming broker to broker, they're coming in to a select group of trained people so the quality is enhanced, the experience is enhanced, and the opportunity for the conversion, the closed transaction is enhanced.

Coverage. We've got 32,413 zip codes covered out of the 45,000 roughly that exist. And if you take out all the PO boxes that are in there and 82 zip codes that Pentagon I think has alone, we have pretty good zip code coverage within the network. When you add to that the 503 individual MLSs, you can see that we blanket the US with an ability to cover to a higher degree than the consumer today in the marketplace might realize on their own.

And I would say the fourth component that attracts the customer and the client to us it's a managed network. Our brokers are contractually obligated to perform. They're held accountable by our clients and they know that the leverage of our volume is totally predicated on the fact that when they perform, there is more coming from Cartus. Lack of performance means risk of loss of a significant portion of their business.

So if we look at what are the results of this? I mean, this really is why you're here. Why is Cartus in the family? Well, these are the results that we put up in 2013 as it relates to contribution to family, 89,651 closing, up 13% year over year. It's lead by the growth in Affinity space which is up 24.5% year over year. Our relocation focus continues to be multinational corporations, quote, with domestic US home sales business, so we can continue to fuel the domestic US customer into the family.

On the broker-to-broker piece, we're up 17.4% year over year with 17,588 closing and it's, I think, the important thing to recognize there is not just the business that Cartus is driving into the broker community but it's the obligation that we place on the broker to be a part of our network to find that retail customer and keep the fellow members of the network healthy. So find customers that you can forward to other family members so we all remain strong even the most volatile of times.

Finally, where are we going in 2014 and beyond? I think this really is a slide that helps you understand that there are multiple strategies that we're executing on to both grow revenue and improve margins. Clearly, driving profitable organic growth, expansions within existing relationships, we average about 400 expansions a year over the last three year with existing clients adding products and services, increasing the revenue flow with that relationship, making exit barriers tougher to leave Cartus.

Growing mobility market share by attacking the multinational corporations with domestic US business and clearly growing Affinity which is a significant opportunity. Several of the organizations that we work with today have hundreds of thousands of customers, members that are moving each year. So we're developing marketing plans, technology, private-labeled portals that allow that customer to respond to the loyalty that they have with the Affinity to have the expectation of a great service experience and come through Cartus so we can place them with the broker network, with our family of brands, that's a critical area of focus as we go forward.

Our margin-enhancing initiatives, looking at costs, looking at our models, looking for ways in which we can bring in greater technologies, greater uses and facilitate an efficiency and a process improvement that allows us to plow some of that improvement in cost back into price competitiveness in the marketplace. Establishing what I like to call adjacent growth, language is a very interesting area for us right now. We've got about \$20 million language business today that we provide to our corporate client base. Yet the business itself, the language industry is reported to be about \$14 billion to \$15 billion. We've taken a modest interest in a firm that has a very unique online product that we believe will help our client base grow not only the relo space, engage Cartus in more language training but also in the broader learning and development space so we can take what we have in relationships with Fortune organizations and bring new products and services outside of pure relocation to that population.

Expanding our global footprint. I mentioned too here, Latin America is a commitment that we have to both Procter & Gamble and GE to be on the ground in Brazil, in Q1. We are already on the ground. In India, we actually work -- do a lot of work with Goldman and Credit Suisse and Qualcomm and SAP and Citi there today. We're expanding our opportunities and we're strengthening our opportunities in China where we've been for just about 10 years in Shanghai.

And maintaining competitive service scores, really the key words are here. Integration in mobile technologies and investing in technologies, our market place, all the organizations that you represent are mostly concerned with privacy, security, data encryption, data at rest, federation of accounts, single sign-on. All the things the technology brings to the equation of dealing with the information that we have on a daily basis from



our customers and from clients. And then probably, the biggest area of investment is making the user experience that much easier. So the integration of mobile technologies, the ability to bring a user experience in a tablet form, in a handheld device, we certainly have applications today that address T&E processing but the penetration rates are not where we need them to be, they will continue to grow as the user requires us to bring today's technologies to the equation and make it a 24/7 virtual experience.

So, exciting times to be leading Cartus but at the same time I hope in those short 12.5 minutes that I've been able to demonstrate to you that the true value is the opportunity to manage that residential US real estate transaction to attract and acquire customers and to take those customers, provide the high quality handholding that Cartus provides and pass them to our family members ensuring that the end of the process results in a close transaction.

So I look forward to the Q&A session that's coming up shortly and it's now my honor and privilege to introduce Don Casey, President of TRG.

Don Casey - *Realogy Holdings Corporation - President of TRG*

So Title, one of the probably more glamorous portions of the -- parts of the real estate transaction. So I want to explain to you why Realogy is involved with this business, what we do at TRG and also talk briefly about our focus and what our strategic growth opportunities are?

So title and settlement services is a really an essential part of real estate transaction. We operate a national title and settlement services company really to recognize the economic benefits on every transaction.

Primarily, through our affiliations with Bruce at NRT, Cartus with Kevin and also PHH, obviously, this is main component of the value circle. Majority of our business is residential, resale and refinance activity, our Title agencies are licensed right now in 42 states -- but we really have the capabilities of closing in all 50 states.

In addition to closing refinance business, for many of the top 10 lenders, our main focus and primary source of business is the NRT. Where TRG right now is the largest real estate affiliated title company in the country, our direct operations -- so they also focus on attracting unaffiliated real estate customers as well.

In fact last year, roughly 40% of our closings came from outside third parties. The important point with that is that we're really are able to leverage our production platform as well as our sales capabilities to bring in this incremental business.

Our company is made up of four business channels as detailed there on the slide. Our largest is our direct operations which represented 55% of last year's EBITDA. Next is our underwriter title resources, their focus and strategy really is on servicing our direct operations and other large affiliated title companies as well. We're currently licensed with our underwriter in 27 states as well as Washington, D.C. and that represented 29% of our earnings last year.

Next is our lender channel which provides private-label closings on both refinance and home equity loans. Last year, this channel represented 11% of our EBITDA and then lastly is our relocation channel as Kevin just touched on which is the value circle driven source of business with Cartus.

So, turning to the right side of the slide, let me just explain quickly how we generate revenue. Like you see, on every closing whether it's a purchase or a refinance, there are two components of the fee. There is a title premium as well as a closing or escrow fee, whatever is common in your area. So the portion of that title premium retained by the agent is roughly 70% to 90% and the closing fee is pretty much set. Typically it's based on local customs. It's typically ranges from 300 to 500 unless you live in North Jersey or New York City then you'll pay the attorney's a much higher fee than that.

The portion of the title premium retained by the agent, I mentioned the 70% to 90% where we also underwrite 70% of our transactions, so we retain the balance of that premium as well. We also earn relocation fees as we service the Cartus deals and there are some other miscellaneous revenue included, so that makes up our revenue segment.

As I mentioned, our direct operations is clearly our largest and primary focus for the company and we operate over 375 offices, very often co-located with the NRT offices. The convenience that one-stop-shopping experience you hear about is a very important factor in driving capture rates. And most of our companies across the country have been acquired in conjunction within an NRT acquisition that Ryan spoke about earlier.

This business is -- I can't tell you how -- it's a local service driven business and we had talked about when we put this together years ago whether we call ourselves Coldwell Banker Title or NRT Title, but we found it's much, much more effective operating over 50 different brand names such as, as you could see, Sunbelt Title in Florida, or on the west coast Equity Title in Southern California. The reason for this is the business is very highly regulated. And so, in some states, there are controlled business limitations which require you to handle certain percentage of unaffiliated business if you would. California is a great example where we're required by regulation to generate 50% of our business or more from outside third-party sources.

So if we operated as Coldwell Banker Title, NRT Title obviously, that would become a huge challenge for us to meet that regulation.

Looking at our geographic footprint, if you to overlay the NRT offices on top of our map, they'd almost be identical. There are few markets where the NRT operates where we don't presently have coverage but we're looking on solutions right now where that would be through organic growth or through acquisitions.

You could also see on the slide, resale fees that, I mean, they vary greatly across the country. Fees are as low as if you look in St. Louis, they're close to \$700 to Southern California where you'll pay \$3,700 on average. This is really driven by basically because of local customs, state regulations and to a lesser degree sales price.

As shown in this slide, you could see that we took full advantage of the refinance market over the past five years. We averaged over 70,000 refinance closings a year. But you could also see that the average fee is not even half that of a real estate -- of a resale transaction, so, now, due to our competitive advantage of having exclusive access into the NRT offices in the much higher fees, our focus has always been on resale and continue to be on the resale business.

Our lender channel production is centralized and we've maintained of a very flexible staffing model. You heard Richard talk about that. We have to deal with the peaks and valleys of the refinance business. So as an example, back in 2012, we had just signed a major lender client (inaudible) through driving a lot of business. We had to ramp up pretty quickly, so we hired 300 people, got them up and running and in a very short period of time. Then as we started see the refinance business slow down in the fourth quarter of last year as well as the first quarter of this year, now, we eliminated 350 people in consolidated facilities (inaudible) from three locations down to one.

So, this is a business that we do very well and we're committed to. We maintained very, very strong relationships but not only PHH and their private label partners but also with some of the top 10 lenders in the country.

We'll continue to take advantage of the refinance business as the markets dictate. Our flexible staffing model will also allow us to staff this accordingly.

All right, this last slide, we've got many ways to grow our business across the Realogy value circle. Our biggest and our highest priorities and largest opportunities are with NRT, FRG as well as title resources or underwriters. I'm going to talk about those. At NRT, we currently maintain a 42% capture rate. And so to put it into perspective, each 1% capture rate increase is worth \$1 million of EBITDA, so we've got some markets today presently that are in the 60%, 70% capture rate range, so it's not unrealistic to think that we could hit 50% overall plus, quite frankly.

We've got plenty of initiatives under way right now. We're focused on growing our capture rates from office expansions, making sure we have increased our sales coverage for all the NRT offices to technology tools which obviously supports NRT sales activity.

Keep in mind also as Ryan has walked through the NRT acquisition plans we'll continue to expand as their acquisition plans are executed on. As an example, we're currently focused on opening up offices in Texas and California to service the Martha Turner and the Frank Howard Allen acquisitions recently completed. And we also do our own acquisitions and we just completed one last week it was up in New Hampshire as well.



So turning now with RFG, so some of our franchisees have their own title agencies so there's opportunities there for us to underwrite that business and work with them on those things in growing their business. But we also -- there are many of our franchisees that are interested in developing their own little value circle. So we've formed joint ventures, we'll continue to form joint ventures where we manage the operation for the franchisee and they're responsible for the sales coverage.

Lastly, looking at title resources, when we acquired this company a few years back, it was licensed in three states and our focus was really on expanding the licenses into the states where we had direct operations. Opportunities still exist to vertically integrate some of our direct operations as well. And then lastly, it's going to sound funny, but we really work with some of our largest real estate competitors who have whether it be regional or national title agencies as well, we act as their underwriter. We share an awful lot of the same industry concerns and affiliated business and all. And we work very, very closely with them and we're viewed in the market as very real estate friendly title underwriter.

So those are just a few of the opportunities and I hope you have a much better understanding of title being a glamorous topic and all, but why Realogy is involved with this, why we own the company as well what TRG does, and what are opportunities are. So at this point I'm going to turn it back over to -- Richard is going to come back up and let's see, thank you.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

All right. So this is why we believe this is a pause and not much more. So the training data is pretty interesting. Clearly it's a long term trend. That's a long term investment but the trend line is with you if you have a long term perspective. To assume that this year is anything but a pause, discounts, more than a decade of household growth and a fairly robust household formation era. There's clearly no substance behind any claim if this is anything but a pause. It's certainly not the peak and we have no data or whatsoever that you can suggest that what we're experiencing prospectively in '14 is anything but a pause. Again we think that this is a period of time during which we're absorbing the impact of about 100 basis point movement in rate. It cannot be discounted and it cannot be considered to be irrelevant. It's very relevant.

We think that the combination of negative equity, lack of inventory, the economic and macroeconomic variables that we don't control or influence are weighing heavily on '14. And prospectively, it is a year that we'll see flat to a decline in units and outperformance in price. We may be wrong on that count as well. It could very well be better than we anticipate. But based on what we see today, the guidance we have given is in our view correct.

I think what's most important about this is there have been pauses in the past. And typically those pauses have occurred to absorb the impact of a rate increase. And again we believe that is very well what's happening now. So we're encouraged by this trend line, we always been the CAGR on real estate going back to '72 at 7%. The dramatic growth that you see in this trend is really remarkable. Tony and I are talking about this earlier today. If you look at the trend growth in the '70s from peak to trough, it's about 60% increase in units.

The next dramatic peak to trough turn was 76% increase in units. The one that followed in '92 through 2000 or actually all the way through to 2005, let's take '90, '91 to 2000, it's a 64% increase in units. And from 2001 to peak in 2005 which arguably had very poor underwriting, was nevertheless at 32% increase in unit volume. What we've seen thus far from the trough to where we stand today, it's about a 19% increase in units. Again that completely ignores household formation, population growth and all those things at the end of the day that drive housing. So we believe our thought that this is a pause and nothing more that's based on good solid data.

Let's talk about the things that are going to hopefully impact the economy and certainly impact housing in a positive way. So let's look at two components, drivers and price. So drivers of units and price. The forecast by the way, our forecast that are provided by those people who forecast this industry and it's footnoted as to who they are. Tony will speak to forecast for '14 and '15 a bit in his presentation.

We continue to have very tight housing supply. Our franchisees who are willing to with us today will attest to the fact that the midmarket and high-end of the market, there's a dearth of sellable listings. It's incredibly noticeable at every level on those markets. It's virtually a logjam from the first buyer to the midmarket, there's a reason for that. When builders stop building, they're not replacing the inventory that's necessary to accommodate the household growth or the population growth. And if you go back and look at the past 10 years, they literally cut their production by more than two-thirds in some instances certainly half of the run rate.



So that creates at midmarket where the midmarket person can sell that they have nowhere to go. New York City is an example of that. You can sell easily but the inventory is very short and short supply. We have markets like that throughout the country and what's important about that that speaks to the underline demand which continues to be very strong.

Now if first time buyers do not come in the market, clearly the data suggest that and you get about 10 to 12 point difference between where they are today and where they should be as a component of the overall mix, it's as we have always believed it's difficult underwriting, very high FHA fees. It's particularly difficult and onerous process to get a FHA loan today. We think it's improving slowly but you never handicap the government, but it is improving. While the rates were increasing and I said earlier the sort of multifamily guys will eventually price themselves out of a market, Trulia will tell you that they have done that. Trulia which is a source for data on matters like this, amongst other things. And 100 largest MSAs in the country it is technically and analytically cheaper to own than to rent.

So they are in fact pricing themselves out of the market. Housing affordability is still high regardless of all the data of the recent past, it continues to be at a relative and comparative basis, high. And prices will continue to appreciate. They have historically clear evidence of the chart that which observed, it's hard to argue the facts.

Homesale drivers. I know we've repeated this a number of times, but what repeated -- what we stated as to the drivers more than two years ago continues to be very relevant today. There's a lot of pent up demand. I know there's structural issues as to that pent up demand like student loans, bad debt, underwater home equity, all those things but they are slowly working themselves out of that hole.

As we referenced earlier, negative equity is improving and we expect that to continue to improve and it will with the passage of time and average price increases across the board. And again this is a metric that's interesting to us and always has been and that is you just get back to the run rate, the 4.5% turnover rental rate, taking all housing stock, 4.5%, there's a traditional sort of turnover every year. The peaks and values take everything in the consideration then you're back to at least 5.8%, 5.7%, 5.8% number just on a run rate basis.

And I know there's a lot of discussion about household formation and whether or not household form and then what percentage of them actually homeowners. I mean the Harvard's Joint Center for Housing Studies of which I'm proud to be a member, is currently forecasting almost 1.2 million households will form up to 2020. If history repeats itself which it will, 65% of those folks will homeowners at some point.

So this is something we always talk about and I've had a number of conversations with many in this audience, almost on daily basis but certainly here today and that's the regulatory issues facing our industry. So I've got two that we'll talk about, QRM which the performance of QRM to QM. This is if you recall the last remaining major issue the regulators must make as it pertains to QRM. And that is the down payment requirement.

As you know by the way it's written, it's a 20% down payment. That is clearly not going to survive the scrutiny of the regulators and we have reason to believe that it will be substantially less than that. I don't know what the required down payment will be to conform to the QRM. We know it's less than 20. It's probably between 5 and 10, could be as low as five.

But the one that's really pressing on everyone is GSE Reform. We get the daily brush of emails about what's happening there because we spent a lot of time in Washington DC making every effort to influence the outcomes of some of these decision makings and combat upon our elected officials and the regulators.

They're going to hear a lot of noise and you do it every day about GSE, the Senate Committee is going to hold its [folk] and it was supposed to occur this week. It will probably occur next week. So the bill, the Johnson Crapo Bill will probably come out of committee next week on the basis of a very weak bipartisan vote. And in our view and don't hold me to this because you can't handicap government and this is politics. It is most unlikely that it will make to the floor of the US Senate. And even if it did, there's no companion bill on the house and I can assure you the House is not going to bring into to a vote and they're not going to work with the senate on the Johnson-Crapo Bill.

So the damage, a very significant damage that was done to the Johnson-Crapo Bill in the process last night was the emergence of the six very solid senators, democrats who have are officially opposing that the bill in its entirety. So given that, I think it may make it out of the committee just to tip the hat and honor the outgoing retiring chairman of the committee Johnson but I think there was almost no chance that it goes beyond that.



At least until the midterms perhaps after the midterms but I think it's unlikely. I think that form of regulation of [G] to GSEs is probably destined to fail.

So I want to summarize very quickly because I only have a few minutes here before I'm behind schedule and you've heard how these businesses are going to grow. Thank God I want in anyways suggest that they have not been adequate in their presentation to you as to how they will grow these individual companies. We are a very good franchisor. We're going to sell service and retain our franchisees. We have terrific track record by doing that. There was nothing in front of us that would suggest that's going to change, in fact that' should accelerate.

NRT is extremely well-managed to brokerage firm. We will continue to grow that firm as we have since its inception in '95. We've got the model down path, we know how it works, let's say well-oiled machine that will continue producing the results that we have demonstrated, we have to ability historically. Relocation services continues to be a very, very important part of our value proposition for all the reasons that were explained that have made just an outstanding example of the company and the Affinity markets.

Anybody in this room a USAA member? I know we have few. If you use the move product through USAA and thank you for your service by the way, that's us. And it has been for a very long time. We're one of the few companies that handles outsource services for USAA and we are proud of that position.

Title, again it's all good old-fashioned give the economics to the third party because it's more convenient or keep it in the house, keep 100% of those economics because you are more efficient than they are, whoever they may be and that is the case. So we're often asked to consider other forms of real estate related services as an addition to our current sweetest services. This is what we do well. We know it, wake up every day thinking about how we improve this. And I think it is clearly the case that we have exceeded at least our operating expectations and will continue to do that.

Now the real meat of the substance today is going to be Tony Hull. Now, Tony Hull and he won't say he'll be shy and modest but you should know that in 2013, Tony was recognized the New Jersey Business Organization as the CFO of the Year for the state, for companies exceeding \$250 million in revenue so he got that award doing some very difficult time so we're very proud of that were proud of Tony. So let's invite Tony. Well once we get through that we will finally get to Q&A where we can get into some of the questions that I'm sure you would like to ask yourself. Tony?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

Good morning, everyone. Before getting into a broader financial discussion, I wanted to quickly review the first quarter. Revenue grew 5% to a billion dollars which is due to transaction volume increases that NRT and RFG. Adjusting EBITDA that was \$53 million down 25% from Q1 of 2013 as REFI related earnings declined \$20 million between our mortgage GV and TRG's lender channel. Higher profit from increased transaction volume was offset by acquisition related cost to NRT and higher employee expenses. The impact to this cost increases is exaggerated in the first quarter due to seasonality.

RFG transaction volume was up 9% in the first quarter driven by the price as sides were off 3%. The 12% increase in price was influenced by shift and mix, business to the high-end of the market particularly with more of RFG's business coming from the Sotheby's International Realty brand. NRT transaction volume is up 12%, in a quarter to 14% increase in price combined with lower sides with due to greater activity at high-end market along with the impact of inventory constraints. NRT transaction sides benefitted by about 1.5% in the first quarter due to incremental transactions from Martha Turner and Frank Howard Allen acquisitions. Cartus initiations in referrals each increased 5% in the quarter, both of these are positively impacted by Affinity business growth that Kevin discussed.

Finally, TRGs on its REFI unit is down at 70% year-over-year which was in line with the industry's refinance trends in the quarter. Its purchase unit volume declined 3% which attract NRT's size decline. And its average fee for closing gained 30% due to the shift in the mix of business to a more higher value purchase units.



On Monday, we gave guidance that based on open contract activity in March and April as well as close volume on April, for the second quarter, we expect the transaction volume will be down 2% up 2%. This is for RFG and NRT combined. The breakdown of this is homesale sides being down 5% to 7% and also exactly by average of sales price being up 5% to 7%.

We also noted that there is a difference in what we are seeing at RFG and NRT. With our expectation that RFG should come at the higher end of the range of the down to positive 2% range whereas the NRT should come in at or below, low end of the range. The mix shift to higher price homes in the first quarter had an outsized impact against seasonally low homesale side transactions in the quarter.

In Q2, when homesale sides increased sequentially, the mix shift impact to higher price homes will be less pronounced. Low inventory levels and to a lesser degree underwriting challenges are constraining transaction sides relative to 2013.

Now let's turn to some detail on 2013 financial results. This slide provides information on the fixed and variable expenses by business unit. And the columns on the slide show revenue, expenses, EBITDA and headcount for the four business units. The first column highlights RFG. Revenue in 2013 was \$690 million. This includes \$277 million of royalty and marketing fund fees, included in NRT variable costs and paid by NRT to RFG.

It also includes \$78 million of National Advertising Funds that are collected from our franchisees in addition to the royalties that they pay for the use of our brands. There's an equivalent \$78 million spent on brand marketing, shown a few lines down that offsets that revenue. This amount generally varies based on our overall transaction volume changes as well as timing expanding. Excluding this advertising fund expense, RFG's total cost in 2013 was \$164 million of which 19% are variable and 81% fixed. The \$30 million of variable cost consists of three broad buckets. First, C21 contractual marketing contributions that vary with C21 transaction volume. License fees for use of third party trademarks which will also vary with volume changes in the brands we licensed. Thirdly, the cost of franchise sales team including commissions which vary with franchise sales activity.

The fixed cost of \$134 million includes most of the RFG employee base as well as IT, bad debt, consulting, legal, conventions and other normal SG&A items. As we have mentioned previously, bad debt and legal expenses were abnormally low in 2013.

Turning to NRT, its cost totaled \$3.78 billion in 2013. If we remove the mortgage origination JV income of \$24 million from the total, expenses were \$3.81 billion. Of those, 81% were variable and 19% were fixed. The variable cost consists of sales associate commissions of \$2.7 billion, \$100 million of marketing and \$277 million of franchise realties and fund marketing fees paid to RFG. The majority of the \$739 million dollars of fixed cost relate to operating NRT's 706 offices and also office manager, NRT employee and other G&A costs.

For Carus and TRG, you can see that the majority of the costs are variable and based on a level of business in any given year.

Turning to Slide 73, we show the seasonality of the business. In 2013, you can see that 58% of our revenue and 71% of adjusted EBITDA was earned in the second and third quarters. Most transactions occur during these quarters as families generally want to complete their home sale and/or purchase before the school year begins.

Q4 is the highest -- is the third highest revenue in EBITDA contributor with the first quarter being the weakest. The seasonality we experienced is not unique to Realogy.

On this slide, we've mapped out weekly home sale and price statistics from DataQuick from March 2011 to last Thursday. This is data from the top 90 MSAs in the country as of the most recent 30-day period. It shows more broadly the seasonality of existing home sales and price. As you can see, not only do units decline in the slower seasons, but price declines as well. Although this year, they are holding up much better given the trends we discussed earlier.

Now let's turn to our review of Realogy's performance over the past three years. The left-hand side of this slide shows total US existing home sale volume according to NAR in 2005 and from 2011 to 2013. The right-hand side shows Realogy financial performance in those same periods.

Focusing on the left side, at its peak, the value of US existing home sales was \$1.9 trillion. In that year, \$7.1 billion existing homes changed hands in the average price of \$267,000. Between 2005 and 2011, nationally the number of homes sold dropped 40% and the average price dropped 20%, resulting in a transaction value decline to \$912 billion. From 2011 to 2013, the existing home market recovered by that 35% to \$1.25 trillion.

This was a result of 9% growth in units in both 2012 and 2013 as well as a 15% recovery in average price. On the right-hand side of the chart, you can see Realogy's -- that Realogy's results tracked the overall existing home market. Revenue dropped 42% from \$7.1 billion in 2005 to \$4.1 billion in 2011. If you look at Realogy's sizing price in total, we saw the same overall decline not reported, but our sides decline was more severe than in our numbers.

This was offset by a more resilient average sales price. The reason for the difference in the trends as it relates to price was that we reduced the number of NRT offices by 450 during the downturn and, in large part, they were underperforming offices in low average price markets.

We also reduced our franchisee count from 4,000 to 3,000, eliminating struggling non-paying franchisees from our network which negatively impacted our reported number of transaction sides. Realogy's market penetration is 26% of the value of existing homes sold by a broker. So our revenue drivers tracked the overall housing market. Realogy revenue is growing to the CAGR of 13.7% from \$4.1 billion in 2011 to \$5.3 billion last year. And due to the operating leverage of our business, our adjusted EBITDA CAGR was 18.1% during the period. Realogy's adjusted EBITDA increased to \$796 million last year.

While that \$796 million is well below the peak of \$1.167 billion in 2005, since that time, we have reduced cost significantly through headcount reductions and office consolidations. We remain 34% below 2005 transaction volume. While we do not foresee returning to the \$7.1 billion existing home sale level of 2005 anytime soon, we continue to believe that our earnings will grow substantially when stronger momentum in the housing recovery resumes.

Now let's take a deeper dive and look at 2011 to 2013. And you'll have to look at your books for this slide because there's no way you can read it on the screen. Looking at overall revenue trends in 2012, revenue grew 14% led by increases at NRT and TRG. NRT benefited in 2012 from a year end [trading] capital gains, tax rates on January 1, 2013 which spurred high-end activity towards the end of 2012.

Last year revenue growth remains strong at 13% even in the face of headwinds such as declining refinancing activity and pressure on the net effective royalty rate at RFG. Our adjusted EBITDA margin improved from 13.9% in 2011 to 15.1% last year. The 2012 margin was 14.4% and it was aided by PHH home loans earnings of \$60 million.

Margins improved further to 15.1% in 2013 in spite of a \$36 million decline in PHH home loan earnings and higher split rates at NRT due to rising volumes. We indicated on the call Monday that if volume continues to moderate in 2014, we would expect to see a 50 to 90 basis point impact on consolidated adjusted EBITDA margins relative to 2013.

So let me go back through each business unit to highlight some of the items that could impact our EBITDA margin in 2014. First, for RFG, national advertising fund spending is expected to increase \$9 million dollars in 2014 due to the timing of spend from 2013. This will add to revenue and expense by the same amount. As it has no impact on EBITDA, it dilutes RFG's EBITDA margin by about 80 basis points. Also at RFG, bad debt and legal expenses were abnormally low in 2013. So returning to a normal run rate in '14 is expected to reduce run -- reduce margins by 50 to 100 basis points.

Finally, strategic initiatives for RFG in 2014 will adversely impact margins by 30 to 50 basis points. These factors total to 160 to 230 basis points for RFG's 2014 EBITDA margin compared to its total EBITDA margin of 64.9% in 2013.

NRT margins are also being impacted by a number of factors this year. We noted on our earnings call that we expect the PHH home loans JV earnings to be in the \$4 million to \$8 million range compared to \$24 million last year. This will reduce NRT margins by about 40 to 45 basis points. Also, inflation will add about 15 to 20 basis points of pressure on margins. Finally, marketing initiative, discussed by Bruce, will lower margins by about 10 basis points in 2014.

These impacts total 65 to 75 basis points in margin, [erosion] compared to the total EBITDA margin for energy last year which was 5.25%. Absent from this list is the impact of acquisitions on NRT's expenses. While these will add to NRT's fixed cost base, they're expected to contribute positively to EBITDA and add royalty revenue at RFG.

Cartus margins are expected to decline modestly about 50 basis points. That's related to merit and benefit increases and the release of insurance less reserves in 2013. It's not expected to repeat in 2014. I mentioned on the call that TRG will experience about 100 basis points of pressure on its margins in 2014 due to the drop in REFI activity.

As a significant portion of TRG's expenses are variable and will flex down at lower levels. In addition, TRG has and will continue to take headcount and other cost actions to reduce its expenses. Based on current trends continuing, in aggregate, these factors would cause Realogy's consolidated EBITDA margin to fall between 50 and 90 basis points in 2014.

Slide 77 shows forecast for existing home unit and median price growth. On the left are the 2014 forecast, on the right are 2015 housing forecast from five different sources. As you can see, they're consistent even though determined independently from one another. They arrange from volume being up 9% from Freddie and Fannie, although Freddie is stronger on units than price to MBA indicating a 12% volume increase driven primarily by unit increases of 9.5%.

Using the 7% average unit growth forecast by these sources indicates that off of 4.92 million unit base in 2014, existing home sales increased to 5.26 million units in 2015. This is still only at 2001 levels and it is quite reasonable given that overall demand is still positive, inventory continues to build, underwriting continues to ease and household levels have increased fairly dramatically since then.

Whatever growth turns out to be in 2015, Realogy should outperform on transaction sides by 1% to 2% on a company wide basis given that franchise sales adds to sides at RFG and we would expect gains in RNT from agent recruitment and tuck-in acquisitions.

Since going public, we have used our cash balance and free cash flow generation mainly to reduce debt at interest expense. In 2013, we reduced corporate debt by \$461 million and ended the year with \$3.9 billion of debt down from \$4.4 billion at the end of 2012. At the same time, we reduced cash interest expense to approximately \$300 million last year. In 2014, we expect cash interest to be down another \$70 million to approximately \$230 million.

With the refinancing completed in the first four months of 2014, we are now to \$215 million annual run rate. We expect to generate significant free cash flow in 2014 which would allow us to repay the outstanding revolver and the remaining \$331 million of (inaudible) percent debt. It becomes callable at 104% of par in February of 2015.

Our CapEx requirements remain modest and we pay only minimal taxes due to our \$2.1 billion NOL. As a result, we expect to continue to be in a position to enhance the value of our equity through generating strong free cash flow and reducing debt.

The key takeaways from this presentation are as follows. 2014 will likely be a challenging year relative to the sizable increases in transaction volume we saw in 2012 and 2013. On a longer term basis, we view this as a temporary pause to the overall housing recovery that's underway after dramatic declines experienced from 2005 to 2011. We expect pressure on margins this year caused by several factors to drop in REFI activity, the normalization of certain run rate cost that were lower than usual last year, the timing of national advertising spending into 2014, but which has no effect on EBITDA and investments in strategic initiatives.

We expect that operating leverage will regain its positive impact on overall profitability as a stronger housing recovery resumes. We continue to lower interest expense, improving free cash flow generation. In 2014 in particular, we will continue to produce strong cash flow. As a result, we expect to further reduce debt -- our net debt which directly benefits our shareholders.

Finally, we are encouraged by the consensus view that in 2015, existing home sale transaction volumes forecasted to increase 9% to 12%. While the rate of growth is below what we saw in 2012 and 2013, it will be more than sufficient along with the high cash conversion attributes of Realogy's business model to allow us to deliver improving cash flow per share.



With that, I guess, we are going to Q&A.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Okay. This is the fun part. So the panelists will come back up. Once we -- just remind you. Once we conclude this, we go to -- we're going to end the webcast at the close of Q&A, then we go to lunch with the brand Presidents.

Following lunch, we have our franchisee panel from one to two. They traveled from far distances to be here and I think it's important that they have the opportunity to tell you why they have been a franchisee and why they expect to continue to be a franchisee. So I hope you stick around for that. So we'll begin I think the [overwhelming] -- so let's -- actually, this -- you raised your hand before anyone else. So let's start with that.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Great, thank you. I have a question on the guidance on how you have framed your expectations and how they've changed in regard to incremental margins. So I think on the call you said you don't give any forward view on the year outlook. But you have given guidance on margins which assumes that you're making some assumption about the aggregate outlook and what that means to your revenue. I don't know how else could get there. So why don't you just give guidance on revenue at least in a range in order to give people a better idea of how you're thinking about the incremental profitability of your business because --

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

So I'll address part of that and then --

Unidentified Audience Member

Yes.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

-- Tony will address the --

Unidentified Audience Member

I mean if you look at the sell side expectations, they're all over the map. I mean, they're extremely wide. And so my sense is that people are really struggling with how to think about modeling your business and the incremental profitability that you're expecting.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Right. So you're clearly not the first person to make that suggestion and we appreciate the question, the observation. And as to the forecast, we -- our visibility is the quarter in which we exist today. So when we enter a quarter, we have open contracts through NRT, our opening arm. And we get a daily view as to what's going to happen that quarter. The visibility beyond that is viewing a number of variables and data, but with very little certainty.



We have fairly good certainty as to the current quarter. We have fairly good certainty as to the open contracts, the revenues and also our margins. Beyond that, although your argument about your giving some forward view of margin, we think that is a healthier replacement overall the margin for the company as opposed to the discussions as to the incremental margins by business unit. At the end of the day, it all flushes out as the margin for the company.

So as we have tried to accommodate interest in the past as to the net effective rate, and also the agent splits because there's a lot of confusion about that, we're always curious as to why. But we try to give clear direction as to the goals for those metrics for the year. And there's no science behind that either. It's just good judgment on our part and we manage to a number and we felt comfortable sort of bracketing that, and I think we've done that. We hear very little about this too now.

Your argument about margins for the year, we've endeavored to try to create some bracketing there as well. We don't think the model is very difficult to build beyond that. And we think the revenue components of the company and the margin guidance that we've given is pretty simple. And what's interesting about this business is that we are macro driven.

So if you don't believe our revenue forecast, you can go to any number of different resources for their revenue forecast or their units -- their units and price. That's what drives our company, units and price entirely.

So listen, we in the board have considered trying to do something more than we're doing now. We're just not sure what that is. And we're not of the view yet that we need to give any more guidance than we currently give. Tony, do you want to add anything to that?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

I would just say that just to clarify, we gave second quarter guidance based on what we see. And we just indicated that the third quarter of last was very robust because of the increase in mortgage rates and that drove a lot of activity. I mean size were up like 18% in the quarter. So we just highlighted that that could be a tough comp. I don't think we gave any guidance than that for the year.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, sir. I don't know where the mics are, so you can try. We'll try to repeat it.

Unidentified Audience Member

Thanks. So you mentioned 5.7, 5.8 million home sales being kind of a normal turnover. So I guess maybe the question is for Tony. In financial planning, if you had that level right now, what would Realogy's EBITDA and free cash flow be?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

I'm not going to touch that with a 10-foot pole.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Pretty much higher than --

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

It would be higher and we'd have more operating leverage.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, pretty much higher than it is now. Great question, though. Thank you.

Unidentified Audience Member

May I sneak one more then. On 2Q, you basically are saying flattish in size and price. If we're sitting here in a couple of months and we've more NAR data that's come out, and it's suggesting flat or whatever the number is, I mean you outperformed that by 1,000 bps in the first quarter. You talked about franchise sales in the deck adding a couple points acquisitions, a couple of points -- I mean, is it safe to assume you should be a few points above whatever the NAR data trends in 2Q or is there something else we should consider?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

I think there's a lot of questions about the Q1 NAR numbers. And then we had some things going on that the capital gains tax increased in the fourth quarter that was going to happen January 1, 2013, caused average price at NRT to be pretty high in the fourth quarter of '12, but maybe a little artificially low in the first quarter of '13. So I mean there's a lot going on there.

But I think you have to break it into two components. NRT is not going to follow NAR. I mean NRT is just in 40 markets, so it's not going to follow national trends. And obviously, with the higher end of the market, that's why average sales price is double the national average.

So what's going on with inventory in those markets is going to be different in what's going on with inventory at other markets. So comparing RFG, I think it is fair to compare RFG performance to NAR. And again, first quarter, I have more questions about NAR's comp in what we did.

But our forecast looks like on the sides for RFG, looks like NAR plus a couple of points. I mean that's exactly how we get -- we look at the opens, we look at the closes, and we look at what they're saying. So that's how we come -- that's one of the things that goes into us doing that forecast. So RFG is pretty aligned with NAR plus the extra sides. 5

Unidentified Speaker

Right here, I'll [place].

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Sure.

David Ridley-Lane - *Bank of America Merrill Lynch - Analyst*

This is David Ridley-Lane from BofA Merrill. You gave the e-leads in NRT for 2013 at 4,500? And you mentioned a goal of getting to 13,000. Can you give a sense of what those were in 2012 and then how quickly can you train these folks? Are these people that you kind of onboard brand new or are they existing agents that you can sort of train on that side?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

Okay, let me just make a couple of clarifications. We closed 4,500. We referred 130,000 to the 4,000 sales associates. These are sales associates that are within our organization that signed up and wanted to be an e-agent because they saw a value in it.

With regard to 2012, I don't have an exact number. But I can tell you we are building year over year because of the relevance of our ability to increase leads through our various initiatives we've been deploying for that last several years whether it be our marketing agreement with those three major vendors I talked about or positioning we do on our own local operating company websites as far as engineering and the way that we cultivate more and more leads.

So the 4,500 we closed are the 130,000 which is I think the important number that we assigned, because that 130,000 that we assigned, although, 4,500 closed in 2013, those remaining 125,000 not all of them are dead. They will come in to 2014 and even '15, because one thing about leads coming off the internet is that there's an incubation period of anywhere from 12 to 24 months. And that's why only certain agents will want to incubate that lead for 12 to 24 months. Many agents will not, so that's why we do the training part.

So as far as the 4,000 we have if you think the 4,000 and to the 130,000, that's about 30 leads per person. That certainly can be handled. So we certainly have the capacity because we know and we constantly review the 4,000 to make sure that they're performing.

So we have a great source of the 42,000 sales associates, so we have to be able to pull from that pool to enlarge the E agent team if necessary.

David Ridley-Lane - *Bank of America Merrill Lynch - Analyst*

Would you recall what that look like in '12?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

It was probably 75% of the 130,000. I think we were somewhere around 100,000.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, ma'am.

Adam Rudiger - *Wells Fargo - Analyst*

It's Adam Rudiger from Wells Fargo and my question is for Bruce. You mentioned your fifth and most important objective was to improve EBITDA margin.

Bruce Zipf - *NRT LLC - President and CEO*

Yes.

Adam Rudiger - *Wells Fargo - Analyst*

I was wondering what the biggest opportunity was there to do that.

Bruce Zipf - *NRT LLC - President and CEO*

I think it's in several steps. The acquisitions definitely allow us to move the needle there. The two acquisitions we just announced definitely will help improve our margins. Obviously, our organic growth strategy is very important. But we are constantly managing our gross profit margins through bringing on other primary services, property management, resort rental, and our property casualty insurance divisions, are much higher profit margins than our residential brokerage.



And if you think all three of those categories, they complement the residential brokerage part of the business very well. So a combination of the primary, secondary revenues, acquisition growth, a focused, managed and temp honor commission schedules and monitor those -- and that's a balancing act to stay competitive, but at the same time, providing those resources to our agents so that it isn't all just about the commission split. And that's why I made that point there. So managing the commission split, acquisitions and primary and secondary services will aid in that.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

On the cost side, they're very, very efficient and rationalized in the brick and mortar. We demonstrated the ability to collapse 1,100 offices into about 700 offices. We continue to ensure that we are maximizing the efficiency of the square footage we occupy. And the good news is the brick and mortar is shrinking. That will continue to be the case. So there are a lot of things we do on the cost do to improve those margins.

Yes, sir.

Sean Kim - *RBC Capital Markets - Analyst*

Hi, Sean Kim, RBC. Another question for Bruce. I'm not sure if I heard you correctly in your presentation, but did you say you guys are working on some sort of consumer facing website? Is that a direct competitor to Zillow, Trulia? When are you going to launch this? What's the investment that goes into this?

Bruce Zipf - *NRT LLC - President and CEO*

Yes, the site will be launched in the mid-part of this year. You've got to keep in mind, there are as I indicated in my graph, there is 700 plus other real estate websites out there. Most of them are consumer-oriented facing websites. We believe that there is a space in there that we can compete in. It will have features like Zillow and Trulia. It will have features that you wouldn't put on a real estate brokerage website. An example of that would be Zestimate that Zillow uses. There are certain features that we believe we can effectively do and be able to cast a net outcome, a consumer-oriented facing website arena and be able to capture leads, reviewing [scrub then] as I described, and then put them in the hands of our sales associates so we create the business opportunity.

Sean Kim - *RBC Capital Markets - Analyst*

Is this just for your listings or would it --

Bruce Zipf - *NRT LLC - President and CEO*

No, it will be fully IDX site meaning that we'll have all -- our competitors' listings will be a separate brokerage company within the jurisdictions that NRT operates in. So that will be fully IDX meaning that an IDX site means that all the realtors cooperate just like they on most of the 700 other websites like Zillow and Trulia and even our own local operating website which is fully IDX. We will have other competitors.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

So that you don't start modeling a Trulia or a Zillow-like model here. Let me give some [cover]. This is a broker transaction oriented site. We're creating the opportunity under the radar screen using the URL that's fairly generic. It will not get the media attention or the financial support that you would expect at Zillow or Trulia because they're in different businesses.



But this is to be at the point of sale, to be as close to the decision making process as possible, but outside of our traditional URLs like [globalbanker.com] because then in the context of those sites, we have limitations as to what we can do from a consumer perspective. When you're outside of that, using the URL that is fairly generic and we haven't disclosed as of yet, you're approaching the consumer in a slightly different way.

But they're not up here where the Trulias and Zillows are. They're media companies and they do a very effective job for us as media companies. This is when that person moves from Zillow or Trulia closer to the decision making process where we think we can cast in that wide net, we think we can capture more of that business.

So the business is not coming to us directly through the relationships, yard signs, all the other things we talked about. We think when they get to the decision making that I actually want to see this house, we can offer an alternative to what's out there today, again, adding to the 700 plus.

Just given our size and our market share, we think this can be meaningful to consumer, and then we think it can generate incremental leads. So all of what we've discussed with respect to that is in all the discussions we've had up to this point, the incremental initiatives in NRT that's working on that I believe we mentioned in the first quarter. It's contained in the context of all that discussions. So don't expect big jumps in marketing spend or technology spend based on that conversation. It's already on our forecast.

Yes, sir.

Unidentified Audience Member

Question is for Tony on incremental margin. I don't think that was a focus on first quarter's earnings call. But if you think about it, we pick the REFI related headwind now, what's your incremental margin for NRT and RFG? And it seems like you're having margin compression in 2014 with a 3% to 4% volume growth. Does that mean you need the volume growth to be above the 3% to 4% in order to see operating leverage and a higher incremental margin?

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

We gave you margin estimates for each business unit this year, so you can back into your own incremental margin to get there. So we've given you basically margin guidance for each. So that's what's happening here. And I just went through each business unit why it's going to -- why at RFG it's going to be -- the margins are going to be under pressure because of the (inaudible) fund spending, the timing and because of the bad debt and initiatives. I mean I just went through all that, so --

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

We may with you after this so you'll have clarification on these points --

Tony Hull - *Realogy Holdings Corporation - EVP, CFO & Treasurer*

Yes, but I think it's all in the guide -- you now know what our range of margins is effectively for each segment. So you can back into whatever you want for incremental margins on that.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Way back here.

Unidentified Audience Member

Can you talk a little -- the acquisition pipeline, can you talk a little bit about that? The returns that you laid out in the slide deck were pretty attractive. So I guess two questions -- what does that pipeline look like -- maybe three questions, sorry. What do the pipeline look like? What's the appetite to do material transactions given your plan to delever? And then the follow-up would be, how do I -- the returns were good in the first couple years. If you're not switching those people to becoming franchisees, how do you ensure that the returns, sort of after their non-competes roll over if you're talking them into NRT, are still compelling in the out years?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Right. So great question. I assume everyone heard that. It speaks to the -- and I'm going to just speak briefly, I'm going to turn it over to Ryan. The dynamic that's playing on the marketplace which we have seen in prior periods is when you're recovering from what we're recovering from, the housing correction of earlier -- this past four or five years, owners have to replenish their P&L, so they're actually rebuilding the cash on hand. And they're actually repaying themselves the dividend -- the debt they incurred in trying to keep their businesses afloat.

And what's interesting, the average owner has probably in his early '60s, in many cases late '70s, they have to exit at some point. And to the point that Alex Perriello made earlier, few have succession plans. So there's a ready pipeline. And now, what's interesting, if '14 develops as a challenging year, it'll be a signal, wake up call to even grow the pipeline that we have now. So we have a very healthy pipeline. I'll let Ryan speak to that. We see this as an incremental improvement in the prospect of interesting tuck-in acquisitions as opposed to what you might have thought would be the opposite of that. So, Ryan -- so whichever -- Ryan and Ryan team will --

Ryan Melone - *NRT LLC - SVP, Strategic Development*

I'll take the pipelines part of it. And the pipeline ebbs and flows as you would expect. Right now, I think we're currently at the same level historically that we've always been. We're always looking at opportunities. One thing to keep in mind is that the relative median size of the deal that we look at is generally on the smaller side, but it's impactful because it's accretive to NRT, so \$1.5 million to \$2 million in revenue is kind of a median. We'll look at larger deals as well, but those are more opportunistic. They come when they're ready.

So that pipeline, as far as the historical levels, is about the same as it normally is. The closing rate of that, though, if we look at, say, 20 deals, the closing rate is maybe 10% to 15%. So there's going to be some deals that don't happen for various reasons as we talked about a little bit earlier -- deals that just don't fit our culture, don't fit our strategic footprint. So we make selected decisions based on that.

Ryan Gorman - *NRT LLC - SVP, Strategic Operations*

At the US, about returns as well, I'm glad you liked what you saw because that is actually fairly typical for our transactions that they are very synergistic than most part and maybe not a new market entry but then the following transactions from that. So the returns we're looking at today are very much in line with a lot of the examples that we've showed.

I think your second or third point was about the sort of serial entrepreneurial nature perhaps of some brokers and whether or not they would return to the fold or join the franchise network. It's a good question. It's a relatively rare occurrence for us. Generally speaking, when someone decides to sell, they're not at a very early point in their career where they're seeking to do precisely that -- brokerage ownership for decades to come.

So the most common maybe retirement that is a genesis for the transaction or a lack of succession planning within the organization. Or in many cases, for the bread and butter transactions Ryan just mentioned, it's really a broker owner who realized that their first love was real estate sales and brokerage ownership is something best left to somebody who enjoys that more. So they oftentimes join us and then reignite their sales career. And actually, some of our most successful agents and most successful leaders have done exactly that.



Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

We're highly disciplined. If a deal is presented or the opportunity and it doesn't meet that discipline, we pass. And it's picked up by a competitor but God bless them, have fun. But if it doesn't meet our discipline, which is something we followed since day one, we walk. And so great comfort in knowing that the expected RORs are pretty much in line with what we've done historically.

Unidentified Audience Member

One more follow-up. So just -- it sounds like most of these deals are going to be done within NRT, right? And so the returns are pretty good in the first few years. Can you just give us an example of when you can sort of acquire someone and then flip them into their franchisee network because NRT's great, I like NRT, but the RFG business is kind of the long tail higher multiple part of your business. And so to the extent you can make acquisitions and ultimately have them be franchisees as well, you'll get the earlier returns in the tail, can you give us an example of how that works?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Remember, when I buy Richard Smith Realty, Richard Smith's Realty becomes Coldwell Banker or ERA or Sotheby's or whatever. So the Richard Smith Realty brand is abandoned. There's no opportunity for them to move in to the franchise side of the house.

Franchising would be interested, as they have demonstrated in the past, in acquiring a franchisor but there aren't any for sale. And there aren't any brands that are interesting to us; ABSENT Sotheby's International Realty, which we were fortunate enough to acquire in 2004 through 100-year licensing agreement, BH&G in 2008 through the Meredith Corporation.

So those are very attractive high value, high media present sort of brand awareness brands that are franchising and we'll grow that in a very healthy manner. But the NRT side, everything we acquire collapses into an existing brand. I don't know if that answers your question, but that's exactly what happens.

Ryan Gorman - *NRT LLC - SVP, Strategic Operations*

Okay, (inaudible) you might want to catch up with Alex afterwards as well because he touched on it briefly in his presentation, but there's a relatively robust mergers and acquisition effort within RFG. So NRT is not really used as a sort of waiting room for a transaction until we can find a franchisee. Really, that's done directly with Alex's sales force within the brands.

Alex Perriello - *Realogy Franchise Group - President and CEO*

To Ryan's point, we will work with our franchisees to help them do exactly what you saw NRT do. The same principles of going out there, identifying a company, looking for the synergies, helping them get the conversations to the point where they reach a deal and then have an acquisition -- in most cases, it's an acquisition. And for the same reasons, there are a lot of brokers out there that don't have an exit strategy and our brands can be or our brokers can be a potential exit strategy for them. So it works very, very well and the economics for our brokers is pretty much the same as NRT.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, sir.

Unidentified Audience Member

Yes, if I could just follow-up with a couple more questions on the Web initiative. In particular, I think you said that you thought that overall share of size from e-leads is about 1.4%. I was curious if you could give us a sense for where you think that might go, assuming that the initiatives are successful, maybe we're talking 3%, 5%, I mean where do you think this could go?

Bruce Zipf - *NRT LLC - President and CEO*

Yes. Well, first of all, the one pie chart that showed where our source of business comes from, that 9% on (technical difficulty) coupled with a consumer-oriented facing real estate is all designed to do a better job to capture the eyeballs that are out there, the audience that is out there and then have those tools that will be able to convert them better.

So I think that pie chart that you saw, the 9% and the 4%, for the foreseeable future will probably remain pretty constant and because it hasn't changed materially. But what our goal is is to take that 9% or that 4% and figure out how we can even squeeze it more to come to our companies.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

I think it's always remarkable what percentage of our leads come from yard signs still after all these years. And the impact of the Web, it still happens to be a significant generator of real-time serious leads.

Unidentified Audience Member

And then I think you also indicated -- you put in a slide, I think Slide 37, which seem to suggest that on your e-leads, you would get an incremental or rather your split would be as low as 25%, is that -- can we take that as being fairly representative of what you get on e-lead?

Bruce Zipf - *NRT LLC - President and CEO*

That's the illustration slide where it just say for illustrated purposes only?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Okay.

Unknown Audience Member

I don't read the small bit. I'm getting too old.

Bruce Zipf - *NRT LLC - President and CEO*

Okay. All right, I got it, okay. So could you just rephrase your question again?

Unknown Audience Member

Yes. So you chose 35% as a referral fee and --



Bruce Zipf - *NRT LLC - President and CEO*

Yes.

Unknown Audience Member

-- 40% as a company retention. I was kind of curious as to whether you feel those are fairly representative or --

Bruce Zipf - *NRT LLC - President and CEO*

Yes, 35% is pretty much the going fee for referrals, whether it be relocation referrals or this type of referral, that's pretty industry standards. Some are a little bit higher, some a little bit lower, but that's the midpoint. The 40%, to be quite candid, again for illustrative purposes only, if we took the conventional agent at 30%, we're saying that possibly because if it's a scrub lead, it's reviewed.

Couple the fact that I made the point that most of these e-agent members are second and third quartile agents. They're not our first quartile agents because they've got their book of business. They have their sphere of influence. This is designed to help second and third quartile agents build their business. So that's why we use the 40%.

Unknown Audience Member

Thanks. Maybe for Alex and Bruce, can you talk about just what you're seeing Berkshire Hathaway do in the markets, if it's being disruptive anywhere or how you see that playing out against your brands? And also on similar lines, maybe for the Ryans, are you guys running into them in the transaction market?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Can I just give you the foundational response? So we're flattered that they're copying our business model. It's nice to see smart money following us. That said, they have a challenge of a brand with little, if any, consumer recognition. So with that, I'll let Alex take it from there.

Alex Perriello - *Realogy Franchise Group - President and CEO*

From the franchise side, it's really not an impact. That brand right now moving from Prudential to Berkshire Hathaway is consumed pretty much all of their efforts right now or consumed and have been for the last year and look like it's going to be continued to this year to convert existing companies from Prudential over to the Berkshire Hathaway brand.

So from a franchise side, we would -- prior to a year ago, we could have a franchise salesperson walking into a prospective broker's office and run into the Prudential salesperson on their way out. It was that competitive. But the last couple of years, they have been pretty much, from the franchise side, consumed in getting the existing brokers converted over. So, Bruce, from your --

Bruce Zipf - *NRT LLC - President and CEO*

From the broker operating side, basically what we've witnessed is Berkshire Hathaway has basically gone after all their large franchisees that were formally Prudential and in many cases, we believe the franchise was coming up or they felt there was a need to make sure they secure the Berkshire Hathaway name. So what we've witnessed on the broker side is they focused on buying their own former Prudential large network brokers and folding it into the Berkshire Hathaway name.



And which when you have a change like that, it does create disruption. Many of these brokerage operations worked under the Prudential name for many, many, many years and now abruptly are getting switched with a totally different name that doesn't necessarily have a lot of relevancy to real estate. And so we've witnessed just all the transition that Alex talked about that they're very focused on trying to secure what they've got and try to transition them very quickly over to these different colored signs, different name which creates a degree of turmoil on the broker side.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

[You say this], they're are very rational, logical competitor. They operate in a manner in the marketplace that is, I think for the most part, similar to how we operate as an operator. As a franchisor, they're learning that process. So they're a good competitor. I'd much rather compete against them than some of the others we might talk about, which we won't talk about.

Ryan Melone - *NRT LLC - SVP, Strategic Development*

From an M&A perspective, I knew you just attacked on that, as Bruce said, they are concentrating right now on converting and doing some deals within their own operation. I mean, there are other acquirers out there. It's not just us. But at the same time, when we get a company and make an acquisition, we don't necessarily know who the other bidders were, if there were other bidders. So we haven't seen too much. Really, as Bruce said, they're concentrating kind of on their own footprint right now.

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, sir.

Unknown Audience Member

Can you hear me?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Yes, sir.

Unknown Audience Member

How do you think about how long it'll take to break the log jam associated with interest rates? I mean the bump we saw in interest rates is pretty significant. Historically, low rates -- usually we see our rates go down to break that log jam. It's unlikely to happen. So how do you think about that going forward?

Richard Smith - *Realogy Holdings Corporation - Chairman, President and CEO*

Based on the economists we follow in that regard who come out of the mortgage industry, fairly prominent economists, it depends on the rate increase. So if you've got 150 basis point increase over a brief period of time, it's going to take longer for the market to absorb that.

We think, based on what we've seen thus far, given the 100 basis point improvement in mortgage rates which have occurred over about six- to nine-month period, it should take -- based on this economist, not us -- should take about a year to absorb that. And then assuming that there's no new impact of an incremental increase in rates, it settles in. Most of the people we follow are forecasting perhaps a rate increase in the third or fourth quarter of next -- of '15.



So this gives -- it should give an adequate time to settle in for the average consumer to accept that as the new reality and then make the decision to buy or sell. So I think there's no science to that. That's just -- that's what we're hearing from the economists. They know more about the subject than we do.

Unknown Audience Member

But is this environment different given the fact that we have had such a surge in refinancing, so people are sort of locked in that lower rates on a wider scale?

Richard Smith - Realogy Holdings Corporation - Chairman, President and CEO

Yes. I think there's two observations there. One, given the -- to just the collapse and refinance will, as you know, will put lenders back in the market more aggressively on the purchase side. So that's one dynamic.

The other that you were mentioning is if I purchased at a 3.5% loan, and I didn't refinance, that's what I bought my first house at 3.5% or I [refied] to that number. In theory, that's going to serve as a roadblock because people are going to be reluctant to trade out of that mortgage. But I've learned over the years that words like ever, never and always are not within my authority to use. And I think those people who would say that a 3.5% will never trade out of that is not taking into consideration that housing is more than just that economic decision. It's more of the social norms I -- my family is growing, there's death probate (technical difficulty).

But if there aren't any, I never sell past the clothes. So let's break for lunch now. Lunch is served in the back. I hope you'll sit with various representatives of the company.

Bruce Zipf - NRT LLC - President and CEO

On the back of your name tag, I don't even know why I'm announcing this, but on the back of your name tag is a number. And that is the table you have been assigned to.

Richard Smith - Realogy Holdings Corporation - Chairman, President and CEO

So enjoy lunch and we'll be back here immediately after lunch for the panel discussion.

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