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PRESENTATION

Operator

Good morning, and welcome to the Realogy Holdings Corp. First Quarter 2017 Earnings Conference Call via webcast. Today's call is being recorded, and a written transcript will be made available in the Investor Information section of the company's website later today. A website replay will also be made available on the company's website.

At this time, I would like to turn the conference over to Realogy's Senior Vice President, Alicia Swift. Please go ahead, Alicia.

Alicia Swift

Thank you, Shannon. Good morning, and welcome to Realogy's First Quarter 2017 Earnings Conference Call. On the call with me today are Realogy's Chairman, CEO and President, Richard Smith; and Chief Financial Officer, Tony Hull. As shown on Slide 3 of the presentation, the company will be making statements about its future results and other forward-looking statements during this call. These statements are based on current expectations in the current economic environment.

Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management.

Actual results may differ materially from those expressed or implied in the forward-looking statements. For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, May 4, and have not been updated subsequent to the initial earnings call.

Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in our earnings release issued today as well as our annual and quarterly SEC filings.

Also, certain non-GAAP financial measures will be discussed on this call, and as per SEC rules, important information regarding these non-GAAP financial measures is included in our earnings press release.

Now I will turn the call over to our Chairman, CEO and President, Richard Smith.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Thank you, Alicia, and good morning, everyone. Today, I'll review our first quarter 2017 results and offer our perspectives on the start of the spring selling season. So you turn to Slide 4, you see the context of our comments. The housing market outperformed our expectations during the quarter, driven by strong performance in March. On a combined basis, our franchise and company-owned brokerage segments experienced a 9% year-over-year gain in homesale transaction volume.

While we believe some of the volume increase was a pull-forward from April, the overall improvements we have seen bode well for the spring housing season. We also saw early signs of stabilization in the high end with transaction volume at NRT in the over $2.5 million price segment, increasing 10% year-over-year. At NRT, we continue to make great progress on our recruiting programs and strengthening the agent value proposition, despite a very competitive market for sales agents. In addition to our core recruiting, the new initiatives that we discussed last quarter enabled us to add agents, who in the aggregate generated approximately $180 million in revenue over the past 12 months at their previous brokerage firms, and we expect them to produce similar results at NRT. We've also seen further gains in the retention rate of NRT's first and second-quartile sales agents, which is now approaching 94%. While these recruiting and retention initiatives have increased our commission expenses as expected and will result in near-term moderate pressure on NRT margins, we are improving our market share trends compared with last year.

We anticipate that our focused initiatives will result in higher royalties at RFG, increased transactions at TRG in the near term and higher earnings at NRT over the long term.

As we have indicated in prior earnings calls, our company-owned operation will continue to selectively pursue tuck-in acquisitions that are accretive to earnings. The most recent example of this occurred in April when NRT's Coldwell Banker residential brokerage acquired a nonagent firm in the Greater New Haven area, which strengthens our existing Connecticut operations.

On the franchise side of our business, our Zap technology platform continues to enhance the value proposition of our brands for our affiliated brokers and sales agents. As most of you know, Zap and its CRM technology is predictive analytics to help Realogy brand-affiliated sales agents increase their productivity. The Zap platform represents a significant investment in the success of our affiliated sales agents and is at the forefront of our efforts to help our franchisees increase the profitability of their respective companies. Approximately 70% of our eligible franchisees have launched the Zap platform, and we expect to complete the roll out to the majority of our remaining franchisees this year.

We plan to report performance metrics on Zap in the second half of this year. A key strategic initiative we outlined on our last earnings call is the development of a comprehensive education platform for sales agents and sales office managers, both affiliated with our franchisees as well as our company-owned operations, the purpose of which is to increase agent productivity and recruiting.

We have made solid progress in a relatively short period of time and expect to begin rolling out the first programs that are available to our franchisees and company-owned operations later this year. We continue to maintain a long-term positive view in the housing market. The industry is benefiting from attractive mortgage rates and healthy demand at the entry and move-up segments, and we believe the actions we are taking to improve performance are on the right track.

According to The Wall Street Journal, for the first time in a decade, more new U.S. households in the first quarter choose to buy homes than rent. Census Bureau data shows that approximately 850,000, of the $1.2 million new households formed during the first 3 months of the year, were attributed to homeowners. More than double to 365,000 new renter households formed during the first quarter. Mortgage rates, on a 30-year fixed commercial loan, are close to 4% today. The outlook for rising wages and strong consumer confidence are contributing to stronger demand and higher existing homesale volume growth.

As reported by NAR, the National Association of Realtors, the Housing Affordability Index continues to be at historically favorable levels. Partially offsetting the positive impact of low mortgage rates are low housing inventory levels. The inventory of existing homes for sale in the U.S. were 1.8 million units at the end of March of this year, that's down from 2 million units in March of 2016. The current inventory represents a 3.8-month national average supply, which is well below the 25-year average of 6.1 months. This low level of supply, along with continued challenging mortgage underwriting criteria, continued to be 2 of the most challenging headwinds to the industry.

That said, we believe the mainstream existing homesale market is healthy. Looking ahead to the second quarter of this year, we expect the continuation of the current trends, and we are forecasting that Realogy's combined homesale transaction volume will increase in the range of 5% to 8% in the second quarter.

Now let me take time to acknowledge 2 important recognitions that we received during the quarter. In a recent third quarter survey of international relocation managers, Cartus ranked #1 and overall satisfaction amongst large size relocation management companies. Cartus also ranked #1 in 5 of the 9 customer satisfaction performance categories, including responsiveness, the supplier management, value for price paid, cost management and country coverage.

Also we are very pleased to announce that Realogy was named by Ethisphere Institute as one of the World's Most Ethical Companies for 2017. This is the sixth consecutive year, which we have received this honor, and we are proud to be recognized for integrity and commitment to ethics and business.

Realogy is the only residential real estate company on the list. Companywide, we are encouraged by our progress as the team executes on our long-term strategic growth initiatives. As you'll hear, throughout the year, we have invested a great deal of time and resources, sharpening our strategic focus and improving operating performance.

We look forward to a robust discussion of these activities on our Investor Day, which will host at our headquarters in Madison, New Jersey, on August 10.

As we think about our capital allocation priorities, we remain focused on strategically deploying capital to enhance shareholder value. We are committed to a balanced approach between returning capital through buybacks and dividends, paying down debt and investing in growth. As to our investments in growth, our strategy has focused on accretive tuck-in acquisitions, the strategy we expect to continue, enhanced through investments and strong agent recruiting programs, agent productivity and a stronger agent value proposition. In addition, other opportunities that enhance shareholder value will be considered in the proper context.

Since the inception of our share repurchase program in February of last year, we have repurchased a total of 10 million of our outstanding shares for $279 million in aggregate value, bringing our total share count to 138 million shares as of today. Since our IPO in October 2012, we have used approximately $1 billion of our free cash flow to retire debt, to purchase shares and pay dividends to our shareholders.

With that, I'll conclude my comments and turn this over to Tony Hull, our CFO. Tony?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Thanks, Richard. Turning to Slide 5, I'll review our first quarter 2017 results in greater detail. Revenue of $1.2 billion is up 6% compared to 2016. Operating EBITDA was $61 million, down $4 million in the prior year. You'll recall on last quarter's call, we said that we expected operating EBITDA to be down year-over-year due to higher sales, agent commission split at NRT, the impact on operating costs of acquisition completed after Q1 of last year, along with unfavorable comparisons to Cartus.

Adjusted net loss was $23 million compared with adjusted net loss of $17 million in the first quarter of 2016. We typically have a net loss in the first quarter of every year, since transaction volume is at its annual low and revenue generated is insufficient to offset the fixed operating cost of our businesses as well as depreciation, amortization and interest expense in a more evenly spread over the full year.

Before the mark-to-market adjustments for interest rate swaps, booked interest expense decreased $2 million to $40 million, as a result of reduction in total outstanding indebtedness and a lower weighted average interest rate. The business authorization initiatives we began in the fourth quarter of 2015 will largely be completed by mid-2017. This year, we expect to incur an additional $11 million of restructuring costs, which would result in total restructuring cost of approximately $65 million. We expect to get $70 million of annual run rate savings from these initiatives, which were designed to improve operating efficiency and offset a portion of annual inflationary cost increases. Approximately $33 million was realized in 2016, $29 million is expected to be realized in 2017.

From January 1 of this year through May 2, we repurchased approximately 3 million shares. Giving effect to these repurchases, all the remaining capacity under the February 2016 program has been utilized. And as of May 2, 2017, we had approximately $296 million remaining authorized under the February 2017 repurchase program.

In the first quarter, our effective tax rate was 24% due to a discrete item related to equity awards. We expect full year 2017 effective tax rate to be 41%.

Turning to Slide 6 for a discussion of drivers of our business. Our overall homesale transaction volume growth was 9% year-over-year in the first quarter. Transaction volume was higher than our previously guided 2% to 5% due to stronger-than-expected activity in the month of March. Typically, March represents about 70% of first quarter EBITDA, but represented almost 80% in Q1 2017. We believe this was partially due to (inaudible) transactions into March due to the timing of holidays in March versus April last year and the impact of which was greater than we had modeled.

Transaction volume at the high end was also stronger than we anticipated for both NRT and RFG. RFG's transaction volume increased by 10% with 3 percentage points of the increase coming from higher transaction sides and 6 percentage points from greater average sales price.

Sites growth in the $2.5 million and above price range was 21%, which is -- which positively impacted the overall average sales price at RFG. Volume in the Midwest, South and West regions all grew by 10% or more, and the Northeast grew at 8%. NRT finished up the quarter of 7% in transaction volume with 4% of the growth coming from sites and 3% coming from average sales price.

Factors driving growth in the quarter included our successful recruiting and retention efforts; improvement in the high-end market segment, as evidenced by the strength and energies average sales price of $509,000; and approximately 2 percentage points from the impact of acquisitions completed since the beginning of last year.

Focusing on the high-end volume in the $2.5 million and above range price segment grew 10% year-over-year, half from sites and half from price. That price segment represented 20% of NRT's first quarter volume. The strongest geographic markets for NRT were in the South and Northeast, which had -- both had volume increases of 8%. The Midwest and West had volume increases of 6% and 5%, respectively.

Turning to other drivers. Average broker commission rate at RFG was down 1 basis point to 2.50%, and average broker commission rate at NRT was also down 1 basis point at 2.45%. Given the increases in average sales price, the most pressure on ABCR was to be expected. Net effect of royalty rate for the RFG fluctuates, on a quarter-to-quarter basis, was 4.44% or down 7 basis points for the quarter. Our top 250 franchisees were generally paying net royalty rates below 6%, continued to perform well and increased their percentage of RFG revenues. This group generated 63% of its revenues in Q1 of 2017 compared with 62% in the first quarter of 2016.

Downward movement in the net effective royalty rate is modestly dilutive to overall revenue growth at RFG. For full year 2017, we currently expect the net effective royalty rates to decline by approximately 5 basis points compared to last year.

NRT commission splits increased to 112 basis points year-over-year as we stated on our year-end call. Our current estimate for 2017 is that splits will increase to between 69.5% and 70%, as we continue to strategically invest in strong sales agents. While we expect this increase will put near-term pressure on NRT's margins, the benefit of these in other growth initiatives will be immediately realized in RFG's results due to the expected higher resulting revenue -- royalty revenue at NRT. As a point of reference, Slide 7 shows our RFG and NRT's combined operating performance in the quarter. So for the quarter, combined revenues were up 7% and EBITDA was up 11%.

Turning to Slide 8, let's talk about business unit operating performance in more detail. At RFG, revenue increased 8% and was driven by the 10% increase in transaction volume. RFG revenue growth lagged its transaction volume growth, primarily due to NRT royalties. You'll recall that NRT pays RFG royalty fee, which makes up a substantial portion of RFG revenue. In 2016, those royalty payments represented approximately 40% of RFG's revenue. Because NRT's transaction volume growth in the quarter was 7% and below RFG's 10% transaction volume growth, that had the effect of dampening RFG's overall revenue growth.

NRT revenue increased 7% in the first quarter of 2017, comprised of $38 million increase in organic revenue and $18 million earned from acquisitions. NRT operating EBITDA decreased $2 million, primarily due to a $4 million reduction in PHH Home Loans earnings. We expect a similar decline in JV earnings in the second quarter, as the venture continues to wind down and transition to our new mortgage joint venture. Excluding the joint venture, NRT operating EBITDA in the first quarter increased $2 million. This was driven by the $56 million revenue increase, offset by a $47 million increase in commission expense as well as $9 million in higher operating expenses related to acquisitions, offset by $4 million of unrealized cost savings. We continue to invest in NRT sales agents, which, as a short term, results in higher commission expense, but over the longer term, is expected to be a positive impact on revenue and EBITDA levels.

Cartus revenue and operating EBITDA decreased $6 million in the first quarter. The decline in revenue was due to a $3 million decrease in international revenue, including the impact of foreign exchange rates and a $3 million decrease in other revenue due to lower volume. As a reminder, an important incremental value of Cartus within our company is the transaction leads it provides to our sales agents.

Over the last 12 months, approximately 86,000 closed transaction sites resulted from Cartus referrals, primarily involving Realogy's network of affiliated sales agents.

TRG's revenues increased $9 million and operating EBITDA increased $2 million in the first quarter. Corporate expenses before restructuring legacy and early extinguishing of debt in the first quarter was -- were $8 million higher than in Q1 of 2016, due to employee expenses, including investments in technology development as well as professional fees and occupancy costs.

Turning to Slide 9. Looking at our expectation for the second quarter of 2017, we forecast that Realogy's combined homesale transaction volume will increase in the range of 5% to 8% year-over-year, the sites contributing 2% to 3% and 3% to 5% coming from price. Broken down by business unit, we expect a 5% to 8% transaction volume growth at RFG and 4% to 7% that NRT. Similar to Q1, despite an expectation of higher revenue relative to last year, second quarter operating EBITDA is likely to be down year-over-year, due in part to the investments we are making to increase the number of NRT sales agents and other strategic initiatives as well as unfavorable foreign exchange comparisons at Cartus.

Slide 10 provides guidance for specific cash flow items. Operating EBITDA -- the low operating EBITDA, in particular corporate cash interest expense for the year, is expected to be approximately $165 million, cash taxes of $20 million to $25 million are forecast for 2017. Capital expenditures for the year are forecasted to be between $90 million and $100 million. Ordinary course M&A investment will be approximately $60 million, half of which is expected earn-outs from prior year acquisitions as well as several relatively small potential NRT and TRG acquisitions.

In addition, while there will be volatility in the quarterly contributions from mortgage saving, as discussed earlier, once the transition is complete, the company expects to realize approximately $25 million of net cash on an aggregate basis.

In summary, we are off to a good start in 2017. We anticipate that the increases in revenue due to a solid housing market growth and continuous stabilization of the high end, along with benefits from our business optimization and growth initiatives will position us to continue to generate significant free cash flow in 2017.

With that, we will open up the lines for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of David Ridley-Lane from Bank of America.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Sure. Looks like the recruiting program for NRT gained further traction in the first quarter. The agent additions are $180 million. Is this program close to your run rate level that you are expecting? Or are you -- could you see the revenue benefits start to build further?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Well, the revenue we shared with you is $180 million and that was what the agents that we recruited earned in the -- at the former broker. We expect to meet or exceed that number with these agents, in our -- as they work with us because of the greater productivity tools we offer. And so far, based on what we see in the first quarter, that appears to be the case.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

David, this is Richard. So an important and very relevant reply to your question is that the agents we're recruiting on the program are productive agents, with much higher site production than you might expect or consider. Many of our competitors are recruiting entry-level agents with no production. These are people who have a proven track record. So when we referenced the $180 million in revenue that they produce with their previous broker, we expect them to do that or even better through their affiliation with us.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Understood. And look forward to getting the operating metrics on the Zap rollout in the second half. I was wondering, if -- maybe anecdotally, in the recent wins that you've had among franchisees, if the Zap platform was a meaningful driver of why the firm choose to affiliate with a Realogy brand?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Yes, it's a great question. It is in fact an enhancement to the value proposition. It's -- as you know, it's structural. So we're deploying plumbing, if you will, that's going to be very important to just about every technology product or service we bring to the market. So in that regard, it's moving along quite well. We said 70% of the eligible franchisees. Sotheby's is excluded from that group, so that will occur over time because they have very special needs and desires. But it is best for our proving to be a very important franchise sales tool and important franchise renewal tool. And we believe it's starting to show, and we will elaborate on this on Investor Day. The increased productivity that we expected -- what's important is the franchisee is properly trained, the agents are trained and they become far more productive as a result of that training and the system. So early results were very promising. We are encouraged.

Operator

Your next question comes from the line of Ryan McKeveny from Zelman & Associates.

Ryan McKeveny - *Zelman & Associates LLC - VP of Research*

One similar question on the commission split side of things. Can you walk through how you think about, I guess, the normal seasonality of how that might typically play out through the year and given kind of the current efforts on the recruiting and retention side? How that might bridge from where we are in 1Q to the full year guidance of the 69.5% to 70%?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, the -- I guess, it's not so much seasonality this year. It's more implementation of some of the recruiting and retention efforts we put in place. So the increase year-over-year is going to be more prominent in the first half, and then we expect it to taper off in the back half, as we sort of start to lap some of these initiatives that we've -- and investments we have made. So that's the basis of our 69.5% to 70% estimate for the full year.

Ryan McKeveny - *Zelman & Associates LLC - VP of Research*

Okay. And then one on the AFP for NRT, obviously, very strongest quarter. And what we're picking up is similar improvement in stabilization at the high end, but in some markets, this seems to be a bit at the expense of price, where you have sellers becoming a bit more realistic. So it's good to see you are capturing that ASP increasing, but just curious, on the dynamics of that, because of it seem -- it's partly mix related and just curious when you think about the ASP in that business going forward, is there potential that the price side of that comes under pressure alongside higher unit volume? Or are you seeing an up-strength where that ASP can stabilize around here, even improve?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

We expect to continue seeing strength in that segment, although it's very difficult to predict. And it should be driven principally by the seller's willingness to reduce their ask price. That is apparent in markets that have excess inventory with price adjustments with buyers there. So we are very encouraged by the buyer interest, but only at a price point that makes sense to them. This is something it's been in the making for some time. And it's nice to start to see the market sort of frame the seller's expectations and the buyer's need. So I -- we are encouraged. But you are right, it's going to require price adjustments and the volume will follow, but you need to see price adjustments, and we're encouraged by what we see now.

Ryan McKeveny - *Zelman & Associates LLC - VP of Research*

Got it. And just to be clear, so the 1Q number -- is there any meaningful, I guess, benefit to that from whether it's New York City or markets that have some of the maybe new development product that flow through to closing this quarter? I guess, I'm just thinking about that mix of maybe that potential impact that 1Q had?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

It was across the board.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Yes. No, it's...

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

It was across the board, and it was very consistent across all of our markets, at all of NRT's markets.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

An exception to that roll is New York City, where new construction continues to outpace expectations, both on price and units. So new product in New York City continues to be particularly strong.

Operator

(Operator Instructions) Your next question comes from the line of Kevin McVeigh from Deutsche Bank.

Kevin Damien McVeigh - *Deutsche Bank AG, Research Division - Head of Business and Information Services Company Research*

In terms of -- can you help us directionally with the year-on-year decline in EBITDA -- and is part of that due to kind of the pull-forward or some of that EBITDA from Q2 to Q1, in terms of the size and the decline? It sounds like the contribution was outsized in Q1. Does that contribute to the year-on-year decline in Q2? And any sense of where that is directionally?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes. I think the pull-forward will most likely work itself out during the second quarter. It may affect April a little bit, but I think it will balance out in May and June based on what we are seeing. And the real -- the decline -- again, we indicated in our last call that EBITDA would be down. But of the decline, the 2 major -- 2 of the major contributors were PHH, the joint venture being -- having a loss of $4 million versus being breakeven last year, just because of the transition going on there from the old JV to the new JV and some costs that are there incurring to make that transition and so we're recording our share of those costs. And again, we expect that to continue in the second quarter and -- but net-net, when all said and done with the transition from PHH to the Guaranteed Rate affinity joint venture, we expect to generate $25 million of cash from that exercise, which we will most likely get all of the share, but there may be a little bit slips into 2018. So that was one -- PHH was one factor. The other factor was the impact of higher splits on the sort of overall volume. So that was about a $9 million bad guy for the quarter. But we feel very strongly that the increase in agent count and the royalties, that the revenue they produce, that are shown over RFG will be a net positive over the medium term. So the other one is -- the other negative was Cartus, which really just -- their seasonality differs from the rest of the company. Their seasonality is -- most of their EBITDA is earned in the third and fourth quarter. So any sort of fluctuation in revenue in the first quarter drops pretty significantly to the bottom line, which is what we saw. But for -- on the full year basis, we expect to make some -- good chunk of that out.

Kevin Damien McVeigh - *Deutsche Bank AG, Research Division - Head of Business and Information Services Company Research*

Great job. And then just real quick on the retention rate, you're almost progressing at 94%. Any sense of where the goal is on that?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Higher is good. So we don't know where it's going to end up. It's been pretty predictable up to this point. We know what the low was, and we sort of know what the high end of the range is. You know what, we're yet to get too high, however. So I want to make sure that we have a clear understanding that there is a cost to those high retention rates. So we manage in the context of the return on that investment, and we're pretty comfortable where we are right now, but it could slightly go up higher. So...

Operator

Your next question comes from the line of Michael Dahl from Barclays.

Michael Glaser Dahl - *Barclays PLC, Research Division - Research Analyst*

I wanted to follow up on that question from Kevin. I'm not sure if I heard the answer or not, but just in terms of 2Q margin expectations to just obviously have that continued transition with PHH, but given the -- just given the transaction volume guide, just how you're thinking about kind of core ex-PHH EBITDA year-on-year? And any margin guidance that you can give us?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, we don't give -- we're not giving margin. We indicated that we think EBITDA is going to be down year-over-year in the second quarter. And I think a lot of the things you saw in the first quarter are going to be continued in the second quarter. And as I said, the split gap is probably highest in the first quarter. It comes down in the second quarter. And then in the third and fourth quarter, it brings you down to get to that 69.50% to 70% split, as we start lapping the higher splits we started to pay in the third and fourth quarter of last year. So again, in the second quarter, we expect EBITDA to be down and revenue to be up. But longer term, obviously, this investment and the recruiting and retention efforts that NRT is making, we think -- I guess, the way I would put it is that a year ago, if you looked at the number of the KPIs, they were flashing yellow or red and most are flashing green, maybe some yellow at this point. So it's a huge sea change from a year ago based on the great work that the team at NRT has done. And again, as you know and you pointed out, a lot of that benefit shows up in the 6% royalty increase. So for every $100 million of increased NRT revenue, you're going to see $6 million of that EBITDA over at RFG. So you won't necessarily immediately see it at NRT, but you'll see it companywide and that's why we made the point that if in the first quarter, if you combine NRT and RFG results and sort of eliminate that in our company issue, revenue was up 7%, EBITDA was up 11%. So we feel great about the direction that NRT is going.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Let me just enhance the comment that Tony made. The investment we have elected to make in agent productivity, agent recruiting and the profitability of those agents, will take a few quarters to get that to where we think needs to be on a run-rate basis. So it is exactly following the track we expected, and that's going to continue in the second quarter of this year.

Michael Glaser Dahl - *Barclays PLC, Research Division - Research Analyst*

Okay. And Richard, I guess, just following on that one, I think, it's clearly helpful to provide the context, the $100 million -- the $180 million of the productivity from the agents that you've brought on to the platform. And you've done a better job getting that retention rate up as you've already discussed. Can you help us frame, kind of, the kind of the net of how much GCI you've added with the new agents, relative to how much that 6% attrition rate that's out to? And just help us understand the productivity of the agents, who have left the platform versus who you've brought on to the platform?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Yes. So there is 2 considerations. You have your core recruiting, which is a very substantial number year-over-year. The recruiting that we are referencing now is incremental to that. The agents we're bringing on are, in our view, incremental agents outside of the core recruiting. So this is a new program having few year-over-year benchmarks, but why it's important is that by design, the program is going after productive agents. These are agents doing 10 or more transactions a year. Many of our competitors are going after entry-level agents with no production or a very little production. So the distinct advantage we have is our program is targeting productive agents, who will be productive with us, much faster than agents with a competitor having little of any production. So you can consider the revenue that those agents produced, as we referenced, has been incremental to us.

Operator

Your next question comes from the line of Stephen Kim from Evercore.

Stephen Kim - *Evercore ISI, Research Division - Senior MD, Head of Housing Research Team and Fundamental Research Analyst*

I just wanted to ask a few questions. One on royalty rates and then other just on the affect of Easter. I guess, first, on royalty, I was curious as to whether or not, you thought that the royalty rate decline that you are witnessing here has a secular component at work? Because I know, cyclically, you described in the past that in weaker times that the larger entities tend to gain share and so forth, that happens at the agent level and I assume that happens at the brokerage level, too. But as I get further into the cycle, I was just curious at what point you would expect maybe that to go the other way? So I was just -- if you could talk about the cyclicality or secular dynamics that may be at work behind the royalty rate trend? And then with respect to royalty rates, also, you gave a guide of 5 basis point decline for the year. I was curious as to whether you thought this year that royalty rates would be smoother through the quarters than they were last year?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Now let me just comment and then, Tony can fill in where if I left up -- left out something of relevance. Listen, the largest franchisees will always outperform their smaller counterparts, that's just the nature of the business. But the volume of the business will make it possible for smaller franchisees to perform at a higher performance level. So you need to see in which we -- I think we're starting to see a stronger housing market, which will make it possible for the small- to medium-size franchisees to perform better than they would have otherwise. But it is always the case that the largest franchises, always is a big word, but it's generally always the case that the largest franchisees will outperform just about everybody, that's the nature of the business. They are very capable, very confident. I actually view that as a good thing. I like to see higher performance achievement on the part of the largest franchisees, speaks to the strength of the housing market. But to your point, we need to see the small- to medium-size brokers rise to the occasion, but it's going to take stronger housing volume to help accomplish that.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

I would just add to that, that first of all, Steven, the outlook right now is a pretty smooth rollout of the net effect of royalty rate over the year. There is no big bleeps quarter-by-quarter. And -- but I think one of the benefits that we will see, not immediately but as we continue to roll out the Zap platform, the most eager users of our -- of the Zap platform are the smaller franchisees. Because they don't -- this technology for them is light-years ahead of what they've had in the past or what they could cobble together. They are great at being franchisees and being running an office, but they are not Google employees or anything like that. So having us delivered that to them and seeing the productivity enhancements we are seeing should help either stabilize or improve the net effect of royalty rate. Obviously, the yin and the yang is that as our larger franchisees grow faster than the overall, it puts pressure, but if we can get our -- the full range of our franchisees to start to grow at the same rate because of the technology enhancements we get in them, we should see that stabilize; if not, get a little better, but we're not counting on that. But stabilization should be an output of the roll out of the technology that we've done, that's unique to us and nobody else has ever done before. They probably will try in the future, but we're favorably ahead of them.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Steven, let me just -- Tony made an excellent point and that is Zap, by design, is going to sort of level the playing field and make it possible for smaller- to medium-size franchisees to see greater productivity gains, based on a much better technology platform. So over time, that nuance, that we just discussed, should be minimalized at some point, because we think the technology is going to increase our productivity by a measurable amount.

Stephen Kim - *Evercore ISI, Research Division - Senior MD, Head of Housing Research Team and Fundamental Research Analyst*

Yes. Right. That's exactly right. Okay. So regarding Easter, I would think that, by now, with April being done, we could sort of look back and see what margin April combined look like. And so when you made your comment about how you thought that the pull-forward -- I guess, you were trying to talk about the -- what you thought the size of the pull-forward was in April? Do you feel confident from what you've seen from March and April combined that essentially the trends that were in place in January, February just kind of continued? It's just that -- it's the way the calendar fell? Or do you not have enough resolution at this point yet to be able to make that statement?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

I mean our leverage, would speak a second, because my view is that we are confident in the guidance range. So we gave 5% to 8% for the quarter. We haven't really looked at this March, April kind of aggregated. It's just on a natural exercise for us. But certainly, the holiday period caused some softness. But towards the end of the month, it was -- things were back on track. So it's -- so again, we are confident in our guidance to date.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Yes, I have nothing to add to that. That's right.

Operator

Your next question comes from the line of John Campbell from Stephens.

John Robert Campbell - *Stephens Inc., Research Division - Research Analyst*

On the $180 million in run-rate rev, the new agent rev you guys talked about, just wanted to clarify a few things. I know the new agents that usually come over have to give their existing listings back to their past broker. Just curious about the $180 million, kind of what you are seeing now versus how much you expect to come maybe in the back half?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

So you recall the context on my comments pertained to our expectation that they would perform on a similar basis with us. So that takes into consideration what we've seen out of them in the short period of time they've been with us. So we're encouraged by that.

John Robert Campbell - *Stephens Inc., Research Division - Research Analyst*

Okay. And then -- I mean, I'm assuming that, at some rate, they did a $180 million or so last year and then you got to gross that up or you've got to accelerate that a little bit with the volume gains. But -- I don't know, Tony, maybe if you can help us little bit on the back half? Maybe what you're expecting as far as the guidance is concerned?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, I mean, we gave guidance for the second quarter, and it is a 90-day ramp up for those new agents. So just logic would indicate that we'll see more than less in the back half because the program ended at the end of March. But we'll have a lot more -- we'll have a better view and be more explicit on the year and that sort of thing on Investor Day. So...

John Robert Campbell - *Stephens Inc., Research Division - Research Analyst*

Okay, that's helpful. And then back to the question about the retention rate, 94% in the top quartile. Can you guys let us know what that was? Maybe several years ago, and then, maybe how low it got in the trough over the last year too? Just trying to gauge the extent of the rebound there.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, we are at the high. It's really been 94% to -- it's.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

92%.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

It's 92% to 94%. So we're at the high-end level at this point.

John Robert Campbell - *Stephens Inc., Research Division - Research Analyst*

Okay. And then one last question. How much remains on the share repurchase authorization?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

It's $297 million, I think, on the February 2017 authorization.

John Robert Campbell - *Stephens Inc., Research Division - Research Analyst*

Okay. Is it fair to say that you guys maybe lean a little bit more to the buybacks with the stock at these levels, relative to debt reduction?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

I mean, I think, as long as we believe that we are looking for whatever we think is the most accretive. And we think that at this stock price, certainly relative to our intrinsic value, we are leaning heavily on the share repurchase side versus paying down debt that costs us 4% and 4.5%. So that's -- but we are -- our dual goal is, obviously, to use that authorization as long as we think that it's value -- the value is there versus our intrinsic value, but also we want to delever the balance sheet. Our goal is still to get a 3x leverage. So we'll do both and a balance where we certainly -- we have a minimum of $42 million of accretion -- of amortization we have on our Term Loan As and our Term Loan B, but we would expect, just like we did last year, to do more than that.

Operator

Your next question comes from the line of Jason Deleeuw from Piper Jaffray.

Jason Scott Deleeuw - *Piper Jaffray Companies, Research Division - VP and Senior Research Analyst*

Question on the commission splits. The higher splits seem to be doing their job, but are they now at a level that NRT can hit and maintain the (inaudible) retention in recruiting targets? Or are they going to have to keep moving higher, after they kind of slide higher on this latest move?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

So that's an important question. We believe we're pretty comfortable with the guidance we have given on the split. It's going to be necessary to achieve our goals this year. And we see no reason to think it's any higher than that. So the early indications are that the guidance we've given on the split is appropriate and correct.

Jason Scott Deleeuw - *Piper Jaffray Companies, Research Division - VP and Senior Research Analyst*

Good. That's great to hear. And then, thanks for that slide showing the combined RFG, NRT EBITDA and the revenue growth versus the EBITDA growth. And we're getting a little bit of margin expansion here with what we did in the first quarter. And I'm just wondering with the expected commission split step up that's going to happen as the year progresses, can we still get combined 2 segments, those 2 segments combined, can we still get margin expansion?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Again, I think, we'll talk about that in August at Investor Day.

Jason Scott Deleeuw - *Piper Jaffray Companies, Research Division - VP and Senior Research Analyst*

Okay. But I guess, the first quarter -- it seems like trend so far just felt -- the start to year are pretty positive in the terms of expectation there?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, I think the important thing is that, for Investors, they need to sort of -- and the reason we showed that slide is because -- you look at RFG and see, they have 70%, 80%, 90% pull-through of revenue and EBITDA, and you're looking at NRT, and it's a different story, especially in this time of investment. But I think, to your point is, it is very important to look at them combined, because, again, for every $100 million of higher revenue at NRT, $6 million is showing up at RFG. So that's why, I think, it's -- you cant just look at NRT in a vacuum to see the success where the progress we are making on these programs, you have to look at it on a combined basis. So we are encouraged that we've really been trying to emphasize that because we think it's important. Because at the end of the day, it's cash flow for us, and it's greater cash flow. And we think that's how you measure the progress of these programs.

Operator

Your next question comes from the line of Jason Weaver from Wedbush Securities.

Jason Price Weaver - *Wedbush Securities Inc., Research Division - SVP and Senior Equity Research Analyst*

On the last call, I think, the remark was made that you were seeing markets beginning to come in -- on frozen in the high end. Any update to that view?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, the high end -- as we've talked about, the high end was up 10% for NRT, and it was 20% of their volume for the first quarter. So we think -- at this point, we are not ready to call that it's starting to rebound, but we certainly -- because you can't really -- the first quarter is not a good quarter to make a judgment about the market. But we think that -- we think it's encouraging and it's stabilizing, and obviously, the -- that's better than the alternative, and it's certainly in a much better place that we were a year ago. And so -- anyway, that's it.

Jason Price Weaver - *Wedbush Securities Inc., Research Division - SVP and Senior Equity Research Analyst*

Sure. And then on the M&A front, just given the environment, are you focusing more on looking at tuck-in acquisition or new technology?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

It's principally tuck-in acquisitions. That's been a strategy for some time. They are and they have been very attractive for a variety of different reasons. Technology, as you know, continues to be an important part of our value proposition, Zap is a great example of that. We continue to make investments in Zap and the next version of Zap and the roll out of Zap. So it's a combination of initiatives on our part, but it creates same value. At the end of the day, it creates stronger shareholder value.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

And you're seeing some of that investment in the corporate overhead increase year-over-year. So that's where our -- that's where we have some of the costs the Zap labs, for their developers and the projects that we're working on for not just RFG, but they are working on projects for some of our clients, and they are working for projects -- our biggest client, which is NRT.

Operator

Your next question comes from the line of Anthony Paolone from JPMorgan.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

I think you covered most of what I had. My only question really was, as -- you addressed the splits in terms of the recruiting effort, but is there anything else that you find that you need to do in the recruiting efforts in NRT, such as picking up more advertising or spending for guarantee positions on the online listings? Anything else that you are doing to kind of drive that besides just the split?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

It's a great question, Anthony. Thank you. We have come to the conclusion appropriately so that more support to the agent is a better value proposition. So in our effort to increase the strength of the value proposition, we are increasing at certain levels in certain markets because it's not the same in every market. Support that may be in a form of better improved marketing, better technology, just better values. But the most important one that's on the horizon is our new education platform, which we have every reasonably will contribute to increase productivity on the part of not only new entry-level agents but productive agents. So that's going to roll out later this year. We are very encouraged by it. On a piecemeal basis, we are increasing support levels, but we have done it in the context of all the guidance that we have given thus far. So we're encouraged by the early indications of increased productivity based on the strength of our value proposition.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. And as it relates to just the agent spending money out of pocket on their own, listing advertising, and so forth and the online efforts, how is that changed over time when it comes to working out of split with them? Do they bring up, "We're spending more over here, so we want greater split." Or is that just moved from paper to online and there hasn't been a change on that element of the negotiation?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Yes, I don't think technology spends now is not necessarily what's driving split discussions with agents. It's based on their production. More often than not it's their marketing support, administrative support. Technology has displaced the sort of old-line approach to marketing, thankfully so. It's far more efficient, far more effective. The online versions of what used to be offline are driving productivity at every level. And it's a better consumer experience, better agent experience. They've become sort of used to that. I don't think that's what's driving our recruiting discussions. Recruiting discussions are more around -- marketing support, administrative support and their production levels. So higher production level, the higher the expectation at the LC higher splits. That's what we negotiated on a one-off basis, and thus far, in our guidance, we have done a pretty good job with that.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, just the marketing -- just to be clear, the marketing increase -- that you -- on the P&L in the first quarter was all related to RFG, brand marketing funds. NRT's marketing spend itself was flat year-over-year. So it was generally -- and that's really just sort of the timing, as you know, with the brand marketing fund. It's really timing of the spend throughout the year. It's not -- and it's in and out, that we recognize the same revenue as expense, but it's not great for margin, but it does move a little bit quarter-over-quarter.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Anthony, always take in the consideration that marketing on the brand side of RFG is sort of brand equity marketing on the NRT side, it's transactional. It's -- we're literally marketing to sell a house as opposed to building the brand.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Operator?

Operator

Your next question -- today's final question comes from the line of Josh Lamers from William Blair.

Joshua Lamers

Most of what I had has been covered. So maybe just a quick couple of questions and some bigger picture items. Just wondering if -- given kind of the supply shortage that we're seeing in the market and the number of days that homes are on the market. Near term, that's good for productivity, but just wondering what your thoughts are if you harbor any concern about longer term if that were to continue?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

Well, we're certainly not happy with inventory levels. There are a number of issues contributing to low inventory levels. We would've expected at this point that we would see an improvement in inventory. That may very well be on the horizon. We just have no way of knowing right now. I think, what's important is and in spite of all of that, we have -- our guidance has been right on the mark, and we've done reasonably well, if not, very well. In light of lower inventory levels, I would attribute much of that, not all of that, but much of that to the builders and their need to ramp up new construction. We've got sort of a pipeline issue here. I can sell my house, I have -- it's very difficult for me to move up, if I move-up buyer. So I can quickly sell, but I just have nowhere to go, so I'm holding. And we see that in a number of markets. So we need to credit underwriting standards to abate and not be onerous as they are today. So we need greater credit availability. We need more new construction. And listen, this will correct itself over time. It's just taking longer than we anticipated, and I think longer than the industry anticipated.

Joshua Lamers

Sure. That makes sense. And then I'm wondering if you have any insight into the imbalance that you are seeing on either the low or high end, essentially meaning how many bids are there for a property on the low end versus the high end?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO, President, Chairman of Realogy Corporation, Chairman of Domus Intermediate Holdings Corp, CEO of Domus Intermediate Holdings Corp, CEO of Realogy Corporation, President of Domus Intermediate Holdings Corp and President of Realogy Corporation*

So I won't use New York City as an example, but in a recent discussion with our President of New York City market, she referenced that's a low-end $1 million, 1 bedroom -- I don't see it's 1 bedroom or studio, had 200 showings in an open house and 25 bids and they outstripped the listing price by about 20%. So well -- listen, we don't see that play out in every market. We see -- the good news is, when something is priced right, be it at the entry-level or the high end of the market, it's selling. So the buyers are there, but they have very specific expectations as to what they are willing to pay. So that's starting to come together as little better, and it's reflecting in all of our guidance.

Alicia Swift

Great. That wraps up our call. We thank you for joining us today, and we look forward to talking with you over the coming quarter.

Operator

This concludes today's conference call. You may now disconnect.