

Realogy

Earnings Call FY 2018



CENTURY 21.



COLDWELL
BANKER
COMMERCIAL

corcoran



Sotheby's
INTERNATIONAL REALTY

CARTUS.



TRG | Title
Resource
Group

RLGY
LISTED
NYSE

Management Presenters



Ryan Schneider

Chief Executive Officer and President



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Interim Chief Financial Officer



Alicia Swift

Senior Vice President, Investor Relations and
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Important Disclosures

Forward-Looking Statements

This presentation contains forward-looking statements. The Company desires to take advantage of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Therefore, the Company wishes to caution each participant to consider carefully the specific factors discussed with each forward-looking statement in this presentation and other factors contained in the Company's filings with the Securities and Exchange Commission under the captions "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as such factors in some cases have affected, and in the future (together with other factors) could affect, the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed herein. The information contained in this presentation is as of February 26, 2019. The Company assumes no obligation to update the information or the forward-looking statements contained herein, whether as a result of new information or otherwise. RECIPIENTS ARE STRONGLY ADVISED TO READ THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION BECAUSE THEY CONTAIN IMPORTANT INFORMATION.

Non-GAAP Financial Measures

Certain financial measures, as used in this presentation, are supplemental measures of the Company's performance that are not Generally Accepted Accounting Principles ("GAAP") measures. Refer to slides 15-19 of this presentation and Tables 1a, 4a, 4b, 5a, 5b, 6, 7 and 8 of the February 26 press release announcing full year 2018 financial results for the definitions of these non-GAAP financial measures, a reconciliation of these measures to their most comparable GAAP measures, and the Company's explanation of why it believes these non-GAAP measures are useful to investors.

Realty's Advantages in Residential Real Estate Market



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

~16%¹
MARKET SHARE
IN 2018



**WELL KNOWN AND
ESTABLISHED
BRANDS**



**POWERFUL
FINANCIAL
ENGINE**

**GENERATED \$1.3
BILLION IN FREE
CASH FLOW
IN THE PAST 3 YEARS²**

**STRONG
BALANCE SHEET**



**TECHNOLOGY AND
DATA SCALE**

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

¹ As reported in Realty's Annual Report on Form 10-K for fiscal year 2018, we estimate that our market share in 2018, based on homesale transaction volume in the U.S., was 16.1%, calculated in the manner set forth under Item 1. Business.

² For the fiscal years ended December 31, 2016, 2017 and 2018.

2018 Results

Net Revenue:	\$6.1 billion	Decreased \$35 million compared with 2017
Operating EBITDA¹:	\$658 million	Decreased \$74 million compared with 2017 due to lower transaction volume and the absence of the gain from mortgage JV close-out in 2017
Net Income and Earnings Per Share:	\$137 million, or \$1.10 per share	Compared with \$431 million, or \$3.15 per share in 2017 which included a \$216 million benefit resulting from the change in the U.S. corporate tax rate
Adjusted Net Income and Adjusted Earnings Per Share²:	\$188 million, or \$1.52 per share	Compared with \$217 million, or \$1.59 per share in 2017
Free Cash Flow³ and Capital Return:	\$325 million	Returned \$447 million in share repurchases and dividends in 2018

¹ See Slide 15 for a reconciliation from Net Income attributable to the Company to Operating EBITDA.

² See Table 1a of our February 26, 2019 press release for a reconciliation from Net Income to Adjusted Net Income.

³ See Slide 19 for a reconciliation from Net Income to Free Cash Flow.

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of these non-GAAP financial measures and the Company's explanation of why it believes these measures are useful to investors.

Q4 2018 Results

Net Revenue:	\$1.4 billion	Decreased \$90 million compared with 2017
Operating EBITDA¹:	\$106 million	Decreased \$38 million compared with 2017 due to lower transaction volume and the absence of the gain from the mortgage JV close-out in 2017
Net Loss and Loss Per Share:	\$22 million, or \$0.19 per share	Compared with net income of \$255 million, or \$1.91 earnings per share in 2017
Adjusted Net Income and Adjusted Earnings Per Share²:	\$5 million, or \$0.04 per share	Compared with \$35 million, or \$0.26 per share in 2017

¹ See Slide 16 for a reconciliation from Net Income (Loss) attributable to the Company to Operating EBITDA.

² See Table 1a of our February 26, 2019 press release for a reconciliation from Net Income (Loss) to Adjusted Net Income.

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of these non-GAAP financial measures and the Company's explanation of why it believes these measures are useful to investors.

Annual Business Operating EBITDA

Operating EBITDA (\$ in millions)	2018	2017	\$ Change	% Change
RFG	\$564	\$560	\$4	1%
NRT (before PHHHL JV)*	44	113	(69)	(61)%
PHHHL JV Gain	—	22	(22)	(100)%
Cartus	86	85	1	1%
TRG	49	59	(10)	(17)%
Corporate	(85)	(107)	22	**
Total Operating EBITDA	\$658	\$732	\$(74)	(10)%

Note: See Slide 17 for a reconciliation of Operating EBITDA to Net Income. Refer to Table 8 of the Press Release dated February 26, 2019 for the definition of Operating EBITDA and the Company's explanation of why it believes this non-GAAP measure is useful to investors.

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

** Not meaningful.

RFG and NRT Operating EBITDA on a Combined Basis

Operating EBITDA (\$ in millions)	2018	2017	\$ Change	% Change
RFG	\$258	\$249	\$9	4%
NRT ⁽¹⁾	350	446	(96)	(22)%
RFG and NRT Combined	\$608	\$695	\$(87)	(13)%

Note: The RFG and NRT segment numbers noted above do not reflect the impact of intercompany royalties and marketing fees paid by NRT to RFG of \$306 million and \$311 million for the years ended December 31, 2018 and 2017, respectively.

¹⁾ NRT Operating EBITDA includes \$22 million of equity earnings from our former mortgage JV for the year ended December 31, 2017.

A photograph of a modern building with a large glass facade and a green lawn at sunset. The building has a grey roof with several skylights. The lawn is well-maintained and features several small trees and shrubs. The sky is filled with soft, colorful clouds. A white rectangular box is overlaid on the image, containing the word "Appendix" in white text.

Appendix

Quarterly Business Operating EBITDA

Operating EBITDA (\$ in millions)	Q4 2018	Q4 2017	\$ Change	% Change
RFG	\$125	\$132	\$(7)	(5)%
NRT (before PHHHL JV)*	(15)	0	(15)	**
PHHHL JV Gain	—	14	(14)	(100)%
Cartus	14	20	(6)	(30)%
TRG	4	10	(6)	(60)%
Corporate	(22)	(32)	10	**
Total Operating EBITDA	\$106	\$144	\$(38)	(26)%

Note: See Slide 18 for a reconciliation of Operating EBITDA to Net Income (Loss). Refer to Table 8 of the Press Release dated February 26, 2019 for the definition of Operating EBITDA and the Company's explanation of why it believes this non-GAAP measure is useful to investors.

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

** Not meaningful.

Annual Business Unit Revenue

Net Revenue (\$ in millions)	2018	2017	\$ Change	% Change
RFG	\$820	\$830	\$(10)	(1)%
NRT	4,607	4,643	(36)	(1)%
Cartus	378	382	(4)	(1)%
TRG	580	570	10	2%
Intercompany Eliminations	(306)	(311)	5	*
Total Revenue	\$6,079	\$6,114	\$(35)	(1)%

* Not meaningful.

Quarterly Business Unit Revenue

Net Revenue (\$ in millions)	Q4 2018	Q4 2017	\$ Change	% Change
RFG	\$186	\$199	\$(13)	(7)%
NRT	1,014	1,087	(73)	(7)%
Cartus	86	92	(6)	(7)%
TRG	136	139	(3)	(2)%
Intercompany Eliminations	(68)	(73)	5	*
Total Revenue	\$1,354	\$1,444	\$(90)	(6)%

* Not meaningful.

Key Revenue Drivers

	2018 vs. 2017		Q4 2018 vs. Q4 2017	
	Amount	% Change	Amount	% Change
Realty Franchise Group				
Closed Homesale Sides	1,103,857	(4)%	257,672	(7)%
Average Homesale Price	\$303,750	5%	\$301,345	3%
Average Broker Commission Rate	2.48%	(2 bps)	2.47%	(2 bps)
Net Royalty per Side	\$323	3%	\$317	—%
NRT				
Closed Homesale Sides	336,806	(2)%	75,723	(7)%
Average Homesale Price	\$523,426	2%	\$515,452	1%
Average Broker Commission Rate	2.43%	(1 bps)	2.42%	(2 bps)
Cartus				
Initiations	171,442	6%	37,541	8%
Referrals	88,445	6%	19,526	1%
Title Resource Group				
Purchase Title and Closing Units	157,228	(1)%	35,462	(4)%
Refinance Title and Closing Units	18,495	(35)%	4,039	(44)%
Average Fee per Closing Unit	\$2,230	7%	\$2,227	6%

Capitalization Table

	Pricing	Maturity	As of Dec. 31, 2018
Cash and Cash Equivalents			\$225
Revolver ⁽¹⁾	L+225 ⁽²⁾	February 2023	\$270
Term Loan A	L+225 ⁽²⁾	February 2023	\$736
Term Loan B	L+225 ⁽³⁾	February 2025	\$1,069
Senior Notes ⁽¹⁾	4.50%	April 2019	\$450
Senior Notes	5.25%	December 2021	\$550
Senior Notes	4.875%	June 2023	\$500
Net Corporate Debt (excluding securitizations)			\$3,350
Net Debt Leverage Ratio ⁽⁴⁾			4.6x

¹⁾ On February 15, 2019, we redeemed all of our outstanding \$450 million 4.50% Senior Notes due in April 2019. We utilized borrowings under our Revolving Credit Facility to redeem the 4.50% Senior Notes and plan to refinance on a long-term basis all or a portion of the funds used to redeem the 4.50% Senior Notes, subject to market conditions.

²⁾ Adjusts up or down based on the previous quarter senior secured leverage ratio as defined by the senior secured credit facilities.

³⁾ Includes 75 basis points LIBOR floor.

⁴⁾ Defined as net corporate debt divided by EBITDA as defined by the senior secured credit facilities. See Table 7 of our February 26, 2019 press release for a Net Debt Leverage Ratio calculation.

GAAP Reconciliation

(\$ in millions)	For the Year Ended	
	December 31, 2018	December 31, 2017
Net income attributable to Realogy	\$137	\$431
Income tax expense (benefit)	65	(65)
Income before income taxes	202	366
Add: Depreciation and amortization (a)	197	201
Interest expense, net	190	158
Restructuring costs, net	58	12
Former parent legacy cost (benefit), net	4	(10)
Loss on the early extinguishment of debt	7	5
Operating EBITDA	\$658	\$732

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

(a) Refer to Table 4b of the Press Release dated February 26, 2019 Note (b) for further explanation of depreciation and amortization.

GAAP Reconciliation

(\$ in millions)	For the Three Months Ended	
	December 31, 2018	December 31, 2017
Net income (loss) attributable to Realogy	\$(22)	\$255
Income tax benefit	(8)	(196)
Income (loss) before income taxes	(30)	59
Add: Depreciation and amortization (a)	49	51
Interest expense, net	70	31
Restructuring costs, net	13	3
Former parent legacy cost, net	4	—
Operating EBITDA	\$106	\$144

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

(a) Refer to Table 4b of the Press Release dated February 26, 2019 Note (b) for further explanation of depreciation and amortization.

GAAP Reconciliation

(\$ in millions)	For the Year Ended	
	December 31, 2018	December 31, 2017
RFG	\$564	\$560
NRT	44	135
Cartus	86	85
TRG	49	59
Corporate and Other	(85)	(107)
Operating EBITDA Total Company	\$658	\$732
Less: Depreciation and amortization (a)	197	201
Interest expense, net	190	158
Income tax expense (benefit)	65	(65)
Restructuring costs, net (b)	58	12
Former parent legacy cost (benefit), net (c)	4	(10)
Loss on the early extinguishment of debt (c)	7	5
Net income attributable to Realogy	\$137	\$431

(a) Refer to Table 4b of the Press Release dated February 26, 2019 Note (b) for further explanation of depreciation and amortization.

(b) Restructuring charges incurred for the Year Ended December 31, 2018 include \$3 million at RFG and \$37 million at NRT, \$11 million at Cartus, \$4 million at TRG and \$3 million at Corporate and Other. Restructuring charges incurred for the Year Ended December 31, 2017 include \$1 million at RFG and \$9 million at NRT, \$1 million at TRG and \$1 million at Corporate and Other.

(c) Former parent legacy items and loss on the early extinguishment of debt are recorded in the Corporate and Other segment.

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

GAAP Reconciliation

(\$ in millions)	For the Three Months Ended	
	December 31, 2018	December 31, 2017
RFG	\$125	\$132
NRT	(15)	14
Cartus	14	20
TRG	4	10
Corporate and Other	(22)	(32)
Operating EBITDA Total Company	\$106	\$144
Less: Depreciation and amortization (a)	49	51
Interest expense, net	70	31
Income tax benefit	(8)	(196)
Restructuring costs, net (b)	13	3
Former parent legacy cost, net (c)	4	—
Net income (loss) attributable to Realogy	\$(22)	\$255

(a) Refer to Table 4b of the Press Release dated February 26, 2019 Note (b) for further explanation of depreciation and amortization.

(b) Restructuring charges incurred for the three months ended December 31, 2018 include \$8 million at NRT, \$2 million at Cartus, \$2 million at TRG and \$1 million at Corporate and Other. Restructuring charges incurred for the three months ended December 31, 2017 include \$1 million at NRT, \$1 million at TRG and \$1 million at Corporate and Other.

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

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

GAAP Reconciliation

(\$ in millions)	For the Year Ended	
	December 31, 2018	December 31, 2017
Net income attributable to Realogy	\$137	\$431
Income tax expense (benefit), net of payments	58	(77)
Interest expense, net	190	158
Cash interest payments	(185)	(172)
Depreciation and amortization	195	198
Capital expenditures	(105)	(99)
Restructuring costs and former parent legacy items, net of payments	33	(19)
Loss on the early extinguishment of debt	7	5
Working capital adjustments	(34)	122
Relocation receivables (assets), net of securitization obligations	29	12
Free Cash Flow	\$325	\$559

Note: Refer to Table 8 of the Press Release dated February 26, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.