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<<John Campbell, Analyst, Stephens, Inc.>>

All right, we're going to get started here. Thanks for joining us for the Realogy session, the fireside chat session. Super excited to have these guys here. We've got Ryan Schneider, the CFO – our CEO; and then Danielle Kloeblen, IR; and Charlotte Simonelli, the fairly new CFO. So super excited to have these guys join us today. Realogy has been a really interesting story. I think people have looked at it as a death, but it's bounced back. These guys have made some really great changes thus far. It seems like they got – well, I think the stock probably overreacted of that. I bet you guys have put some…

<<Ryan M. Schneider, President and Chief Executive Officer>>

I've still got a pulse.

<<John Campbell, Analyst, Stephens, Inc.>>

Right. He's still here. He's not the walking dead. He is still here. These guys have made some great changes thus far and I think they've made some impressive pivots. We'll talk about here in a little bit. But the way it's going to work, if you guys have seen, I'm sure. We'll have Ryan kind of kick us off with the state of the business. I will take us through a couple prepared questions and then we want to make this interactive is possible with the audience. So you guys feel free to chime in.

But with that, I'm going to hand over to Ryan.

<<Ryan M. Schneider, President and Chief Executive Officer>>

Great. Well, thanks to be here. Yes, I have a pulse. Charlotte has a pulse. And it's beating strong and we're happy about that. It's really interesting to be here in November, a year ago in November, if you were sitting – if we were sitting here together, we would have been talking about housing market that's declining pretty dramatically compared to the year before. We would have been talking about an increase in competitive intensity and we wouldn't talking about agent commission split pressure that was going up by kind of 150 basis points to 200 basis points.

Fast forward the clock to right now and we're having a pretty different conversation. The housing market's improving out there. The competitive intensity has actually decreased, especially in the last couple months as we've seen. And while there's still a little bit of agent commission split pressure is more in the 50 basis points zip code is opposed to the 150 basis points to 200 basis points.

On top of that, Charlotte's leadership, we've had a lot more progress around cost for both 2018 and for – excuse me, 2019 and for 2020. We've actually got positive agent growth in the past couple of quarters for the first time in years, which feels great. And then during the quarter, we made a move. We're really excited about which to – which is to exit our relocation business, which is a very complex global business that we liked in some ways.

But with all that complexity, it's not actually core to our business and we got a price for it that we're really, really happy with and we're going to be able to use the proceeds on our de-leveraging journey as well as get a simplification dividend from a reduction in that complexity. Well, hopefully still preserving the lead generation that it gave us, which was really the core reason to have that business. But it was a heck of a lot of business and complexity to have just for that reason.

So that was a big change in the quarter. And those things are opportunistic. The market has to be there the right buyer at the right time. So you can't always predict when those things are going to happen. But we're really happy about that. Having that announced, we got a closing in over the next kind of couple quarters. And we look forward to continuing the journey with some of the newer things that we've launched in the market, both consumer products like RealVitalize and RealSure, as well as new partnerships like TurnKey in collaboration with Amazon and AARP that's going to launch in the Q1 of 2020.

So really happy to be talking to you right now as opposed to a year ago, given all those differences there. And Charlotte and I are happy to see all of you and happy to take your questions as our morning goes on here.

So but with that John, I'll turn back to you.

Q&A

<Q – John Campbell>: Yeah, thanks. So back to the competition comment, you guys did seem to be a little bit more upbeat on the last earnings call. It feels like it hit a fever pitch in August and really started to cool off. So just wanted to get your kind of high level thoughts of maybe what drove the cooling off of the market. And maybe even walk through some of the competitive tactics you're seeing out there that you didn't see a sustainable that maybe cooled off a little bit.

<A – Ryan M. Schneider>: Sure. So competitive intensity in our industry has been ramping up really for the last kind of couple of years, obviously when SoftBank invested in our industry, it brought a kind of capital amount and a capital deployment strategy to our industry that we hadn't really seen before. And I've – it's been funny because in different earnings calls I've talked about, wow, I didn't think the competitive intensity you could get worse, and then the next quarter it actually did get worse.

So we kind of saw that ramp up, really in late 2018 and over the first kind of eight months of 2019. And then September and October looked much more muted on that dimension. There was obviously a lot happening outside of our industry that had investors and companies focusing more on profitability than just growth. And it looks like we may have got some big dividend of that in our industry from what's happened in some other places. And we can't guarantee it's going to continue. We can't control what other companies do. But in a world where we're getting some momentum on our agent recruiting and growth and some of the new products stuff that we're doing.

We like anything that makes it a more rational world out there in our industry. And we saw more of that in September and October. We saw some disappearing of the kind of seven figure signing bonuses. We saw agents react differently to what they were being offered frankly, because of some of the things they were seeing on the news and other industries I believe. And we saw the nature of some of the offers change. So we liked it, but we got to keep fighting no matter what, and again can't control what someone else will do. But it was a really nice thing to have happen at a time when we've got a lot of other good stuff going on.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: Yeah. So we're definitely in the traditional brokerage category along with Berkshire Hathaway, Howard Hanna, Compass, a very long and foster – a very large number of others. If you're going to the reason to come to work for us is really more of the integrated value package than just one thing, right. If you want the kind of highest possible commission split, you're never going to get that with us. You can get that at a hang your license kind of place that those have existed for tons of years.

But we're into kind of the full service offering. Can we bring things to them with better technology, with better partnerships, with better actually having managers who don't compete against them and actually trying to make them more successful, because I think agents care about their bottom line more than anything else, even compared to the pieces of it. And if we can have a track record, which we've had over history of growing, developing and helping people more successful, that's a big thing to do.

I'll give you one example. We used more unique to us, which is I really believe this is an industry that don't, especially over time, more and more of the benefits are going to accrue to the people who have scale and that matters for agents in the sense of if someone wants to be a partner with someone, you really want to partner with someone nationally. We do something with Facebook, a product that if they want to reach all their customers, kind of need to be with a national partner in our industry we're the one best option for that. The thing we're doing called TurnKey, we're in collaboration with Amazon, again trying to be national. AARP wants to reach all their customers who are national.

There are very few companies in our industry who are national. In fact, there's one, it's us. And so we think it's very attractive to be able to provide those things to agents that over time will more and more uniquely be from us, same thing with technology and data scale. The bigger you are, the better products you can provide that can make them successful. So we still have a lot more we want to do and work to do in that area, but we're focused on that kind of traditional brokerage, full service value proposition. And it's not right for everybody, but it's been right for a lot of people and is continues to be right for a lot of people as our recent agent growth is starting to demonstrate more people being attracted to some of the newer things we're doing.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: Yeah, yeah. That's actually a great question. And part of our challenge and part of what we hold ourselves to is, we got to deliver more value for our agents, including on the lead generation front, which is why I led some of this off with some of the newer lead generation stuff we're trying to do. Because of that increased competition out there in terms of things likely generation, brokerages as an industry kind of lost their way a little bit and seeded some ground with agents, right. And the agent, you can see the agent dollars that get paid to those people that effectively came from us, whether it was in the form of agents demanding higher commission splits from us or others.

So we need to do things that either kind of clause, some of that economics back to us, and/or has agents more excited to be with us. So that's a big competitive challenge that's really evolved Zillow is kind of the primary thing in the last five or six years, which is why we have so much focus on more and more lead generation, as a piece of our value proposition going forward.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: So as we've disclosed in past investor days, we had about probably about 15,000 transactions that come from our relocation business. We disclose something around that number in 2017 and it's still close enough to it. We have a five-year broker services agreement with SIRVA to continue to have them access our network. We already do 1,000 of their transactions today from a lead generation standpoint, even though we're competitors with them.

And because of RESPA, you can't actually guarantee these things. But we're excited not just to hopefully preserve the leads we have, but we'd like to grow it. We'd like to take the 1,000 we're already doing with SIRVA and do more. And once we're not competitors, once the market closes, we think our broker network with its national presence that no one else has with its brand kind of diversity and with the quality of agents that are in it could be something we can market even to other relocation companies when we're not their competitor anymore, and hopefully get some of their transactions just like we're already doing that 1,000 or so with SIRVA today.

So with RESPA, you can't guarantee any of this stuff, but we've got that five-year broker services agreement in place to facilitate it and we look forward to earning, hopefully not just what we have today, but more to help our agents and franchisees going forward.

<Q – John Campbell>: Go back to the recruiting for a second. And I think one of the biggest mistakes we can make looking at this industry is that you are assuming that everything has to be done at the same way, right, thinking an absolute, like I mentioned in my last meeting. And for us, looking at Realogy, you guys do stand out more as a traditional broker, but that means that there is plenty of agents, you've got 1.2 million realtors in the U.S. NAR agents, and then you've got about 2000 or 2 million licensed.

So there's a lot of agents out there to pick from. You came from Capital One. You know of the data side of the business well. You know how to take insights off a data. So talk to us about how you guys have increasingly used data to siphon out the market and find the agents that fit you best.

<A – Ryan M. Schneider>: So I'll give you two answers to that bluntly. You've hit on one of the hardest challenges of our industry, which is the incredible diversity of agents, right. I mean there are over 1 million agents out there. We have 50,000 in our owned business and – another 150,000 in our franchise businesses. And they are all different. And unlike employees as independent contractors, they get to pick what they do. So if you rollout a new technology product to that group, it better be great because nobody's going to use it. If it's not, no one's going to use it because you tell them to or even ask them to. And so there is no one size fits all either of how to be a great agent or about how to either recruit them or be successful at them.

What we've been spending a lot of our time with trying to use the data we've got and we've got probably the – I'm confident we have the largest data access in our industry both in terms of real time, because of our market position, but also historically we've really been using it to try to figure out where are the most high potential agents down the road, because again our business is usually not about going out and trying to pay top dollar for a top agent at John your real estate company. It's much more. We have a very long history of this. So recruiting across the whole spectrum of productivity and then growing a lot of those people, all those top agents in our business today, the – most all of them started not as a top agent and were grown there.

And so a lot of our analytic effort has been around how do we identify the agents in like the three, five or seven-year kind of cohorts of their career that we think have disproportionate potential. And we use both kind of market data that's out there, but market data that you can't access unless you're actually a member of the MLS in many cases. But we also use the internal data we have about our own agents and their success to try to figure out here's the people, our managers and our officers should be out there recruiting from a potential standpoint, and that we think can actually grow.

So that's something that we put a lot of effort into. And we like what we're getting results wise. We also like the insights, because the insights that have come out of that on a machine learning side, bluntly we're very different than the insights that the field people would have said. This is the profile of a great agent or a high potential agent down the road. So those are a couple thoughts.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: So for those of you are in the room, Rob is an insider in the industry, so he's got a real advantage whenever he comments or ask questions. And the question for those on the webcast was around the challenge with when you recruit people in and make them more productive, don't you over time kind of lose some of their economics. So the answer, Rob is absolutely, because my belief is that when agents become more and more incredibly productive, they should be earning a higher agent commission as part of their work, because they are doing the hard work.

Even if we're there trying to help them and be successful, I'm not going to take anything away from the efforts that they're putting into that. Look, life is a portfolio and I'm totally fine with bringing in people at a certain productivity level and overtime making them more productive. And we just have to structure our business such that we make the right economics on them, early in their career, in the middle of their career and late in the career. And it doesn't have to be as high at every single point in time.

Just like everyone in this room who has customers, there will be different cycles of when you make more versus less with your customers or partners. And there's nothing but good that comes from us taking an agent and helping them be more productive, even if we make less on a margin basis on them as they get more productive. Its actually the economics and we're very at peace with them, a lot of the business is marginal economics. And so the marginal economics as long as they're positive are really good.

Where this industry has gotten itself in trouble is when people actually operate kind of at a negative margin, which is a very hard thing to recover from given the independent contractor dynamics of the industry where there is no certainty someone has no one – people can leave you at any time. So I'm prone to good marginal economics. Even if they change as we make someone more productive. That's a win for the agent and it's – I'd be very happy to have that happen with everyone we recruit.

<Q>: So as since you came on board, I think the key word has been changed. If you go look at your transcripts over the last year and a half, it's been change that has been all over the place. So let's talk about this ---kind of unpack some of the things you've done, there's cultural changes or leadership changes, value proposition changes, strategy changes, product changes. So you can run down a whole list, but kind of highlight what you feel are the most impactful changes you've made.

<A – Ryan M. Schneider>: Sure. Well, let me start where the first question, I'm sorry. I don't – we haven't met. I don't know your name to credit for this, but look the reality is this industry is

going through a massive amount of change. The Zillow example that was brought up on the lead generation side is a great example that. And the brokerage industry, I think as a whole has been slow to respond to change. And also slow to use kind of the assets that it had especially on the technology and data side to keep up with that change, right. To take the Zillow example, this industry allows that, that kind of consumer facing marketing giant to get created using this industry's data, using the listings of the agents and the brokerages in this industry's own control. And for years we're the people who actually marketed to the consumers, whether it was via their agents or via the MLS.

So and that's not just a criticism of this industry, right. The hotel industry let Airbnb get created, credit card companies where I came from let PayPal get created, so it does happen. But the change in this industry has been pretty huge. And so I think our industry and our companies have to change pretty dramatically. You cited a lot of changes that are very important, I don't know if I can rank them. Cultural is important. People is important. Bringing in someone like Charlotte from J&J to take a new perspective on our financials is an example of that.

But I do believe that the biggest change that actually hasn't happened in this industry, which still surprises me after a couple of years is how much the technology that gets used in this industry and how much the data that gets used in our industry is different than what's being used in either other industries or in consumers' lives. The pace of change in this industry has been slower on both those dimensions and most industries I've tried to look at and what most of us live.

And some of that comes back to that diversity of that earlier question of independent contractors who each have been very successful, but have been successful in their own ways. And so there are still people doing incredibly successful businesses that I respect, effectively on paper. There are others who are using kind of cutting edge technology to reach customers differently on the marketing side and everything kind of in between. And what has led to is I think it's made it harder for companies in our industry to really drive the kind of change that you've seen in some other industries.

But I view that as an opportunity for Realogy, because we actually have the amount of money to spend on technology that's material. We also have the data both historical and real time access that we could be using more and more. And so most of the things that I think over – time will make the biggest difference is can we get ahead of some others in our industry on that topic and actually deliver things for agents that make us a more attractive place to work, make them more productive and successful, make it more likely to recruit people here. And that journey is still playing out as an industry.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: Nobody is happy about it. But the – this is again just like I talked about with Airbnb and with PayPal, when an industry kind of allows someone to get created and kind of get between you and your customer, in our case, us and our agents in some ways, it's very hard to turn that clock back sometimes, right. Excuse me.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: Well, look, we as an industry, and I believe this by the way, have always had the view that like having listings as many places as possible is a good thing for the customer selling their house and for our agents. I think our agents believe that. And so the fact the MLS provides that data, we allow that data to be provided to a lot of providers, hundreds of places has tended to be a good thing. There are many people that talk about, why don't you just not have your data on Zillow, but part of the challenge there is consumers want to see their house on Zillow, right, because consumers go there.

And so kind of the window for turning that clock back around consumer search I think is behind us. But here's the thing that you should remember, right. Zillow dominates consumer search online. 90%-plus of consumers don't find their agents online. They still find their agent through a human to human connection, which happens because it's such a large and frequent transaction. And so while we need to do more on lead generation, that better leads to kind of claw back some of the economics that you referred to.

The thing is that where Zillow has an advantage is the narrow consumer search online. From an agent standpoint and the actual end customer, the agent controls the lion's share of how that still gets generated, which is why we're doing everything we can to help them. But it's one of those things, where we've got a time machine, you'd probably make some different actions back to stop that from emerging.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: Yeah. So for those who don't know the company as well, our whole company is architected around what's important for the real estate transaction. It's mostly owned a brokerage and franchise brokerage, but we have title and mortgage, which are typically important parts of the real estate transaction. We offer those titled directly through our own company that was just referenced mortgage through a partnership with guaranteed rate. And then we had owned those relocation business as well as affinity business for lead generation purposes.

Look, both Charlotte and I are very open to doing something differently or divesting, if some things not core to the business. And you saw that literally in the last quarter with what we did on the relocation business and we really liked the price and we're very happy with what we're going to be able to do. And I'm actually incredibly excited about the simplification dividend we're going to get from it, because it was a very complex international thing with a lot of just complexity. It was capital intensive with its own securitizations, there's all kinds of stuff.

So there's other stuff that I'm absolutely willing to divest, I'm not going to name any of them here. But back to what I said, when I made the comment is, there is a little bit of, hey, it's got to be at a really, really good price. Charlotte is an amazing negotiator and she will be our leader for all of those things going forward, including anytime I need to buy a car, I'm going to ask her to help me. But B, the markets kind of got to be there and it’s kind of got to be the right timing. And so we’re always going to have a couple fishing poles kind of in the water on things that may not be as core for our business. Some will be big enough that, you might hear about him, if we did them a few may be smaller things that just are in our company that are just distractions.

But it’s got to kind of come together in the right way and we really can’t announce our plan those kinds of things in advance. But if nothing else, my hope is you saw with what we did in the third quarter that we’re very open to that and if there’s a better use of capital and if we can do deals that are above our multiple and really help on the debt reduction side for example. And then we’ll do them, if they’re outside of our core business.

There’s – the one thing I’m surprised by after about a year and three quarters in this job is, I would have thought we’d have bought a technology company or two at this point. That there’d be something really cool in our industry that we could buy and then kind of scale up to those 200,000 agents that we have, but it gets back to my opening comments that the technology offerings in this industry just haven’t been that impressive bluntly and I just haven’t seen that opportunity.

So that’s the world where I probably look to acquire things. We’re not real interested in buying brokerages. We have an incredibly long history of doing that. Our company has been built on that for a long time. And those were all, a lot of good things. But if you look at the history of buying brokerages both at our company and at other companies in the last four or so years, you see a lot of companies that generated additional revenue, but didn’t actually help the bottom line.

And so I pretty quickly came to realize that I don’t want to be in that business. And so unless something would change fundamentally in the market, we’re probably going to stay out of the buying brokerage business for now. We’re going to focus on organic growth.

<A – Charlotte C. Simonelli>: Yeah. So our debt today is about $3.5 billion. And the free cash flow conversion is very strong. It can range from like $250 million to $300 million a year. And our next debt issuance that we have to satisfy is not for about 25 more months. So this is before the proceeds from the divestiture we just did.

<Q>: [Question Inaudible]

<A – Charlotte C. Simonelli>: Yes, we do have enough to invest in the business. So there’s some minor investments that we continually need to make and we will do those things, but there’s not really significant things that are chunky that we have to invest in.

<A – Ryan M. Schneider>: We’re back to the scale point, which I’m again, obviously you can tell, I’m a huge believer in, we spend about – we have about $200 million a year of tech spend basically across our company, which is a place where I think is one of the measures of scale you want to be looking at in any business these days. And I often get the question of, do you need to take free cash flow and do more of that? My answer is actually, no, that’s actually big enough.

What I need to do is, reallocate it. And that's what we've been doing over the last couple of years to invest it differently.

But that tech acquisitions, those are the kind of places where there could be people have asked about incremental use of free cash flow. But we have enough free cash flow kind of floating around and enough operating earnings that kind of investing in the core business hasn't been a – we haven't had to like do resets to just do investment in the business per se in those ways. But we'll keep our eye on that kind of stuff, but one of the nice things is we've been able to invest in the business and still generate that free cash flow.

<Q – John Campbell>: So I want to get kind of a higher level picture of your views on technology I feel like that's kind of an ongoing debate of build versus buy versus, I guess partner $200 million a year of investment. I mean, any startup getting $200 million in funding each year, that's a lot of capital play with, right? Like there's some innovation that can come off of that. You've talked about a little bit about maybe buying something on the technology side if something made sense, but you've also said, you look at being a good partner, right, that you kind of want to open up and say, keep it open for the agent base. But just at the highest level, what do you think is the right approach? I mean, you've got RE/MAX, who's trying to do their own thing, Keller Williams is doing their own thing, Compass is trying to build their own platform. So where do you guys stand.

<A – Ryan M. Schneider>: Yeah, so we're a little different than that. So we've had a platform that's out there and I'm glad we had a bunch of our franchisees use it. But my belief, bluntly, is that between the diversity of franchisees and the diversity of agents out there, that there is no one platform that's going to meet everybody's needs and none of the companies you listed including us are software development companies first and foremost.

So I don't think, focusing our efforts just to build a platform for real estate is the right way to go. I am a 100% in the open architecture category. We are going to build some products that people if they want to use them, can use them. We are going to provide a full suite of products for our agents and franchisees to use.

Some of those will be things we build, some of those will be things a third party builds that we integrate into our ecosystem. And with – look, with APIs and everything today, it is not hard to integrate third-party products into your data streams and other things that you need to do, unlike 10 years ago. So if we saw something that we thought we could buy and scale to all and really make a difference for all of our agents and brokers, we would do it. And we will do it. We've done a couple investments in companies at one in the title space, another in the AI space. And then we deploy that in our ecosystem. But we want to have a good CRM offering for people, but I don't care if an agent wants to use somebody else's CRM.

I just want to make sure we have the API. So they can use that CRM with their data and our data to be successful. So we are not going to build and invest in one platform. We're going to have an open architecture and we're going to focus on making it easy for agents to integrate their technology with us. I also believe there's a big stickiness benefit in that, right. If we have agents today, who are spending tens of thousands of dollars, paying people to integrate technology from all different parties right now out there in the world. And if we can create an ecosystem that's easy for people to work in using the products they want to use, it will be harder for them to leave, if that integration isn't easy or if those products aren't available somewhere else. So we're going to go pretty strong on the open architecture approach.

<Q – John Campbell>: I want to make sure, we get Charlotte to jump in here a little bit here and there. So on the cost saves, you guys have already done a large chunk this year, almost finished. And then you came out this last quarter and announced more saves for next year. So kind of walk us through the extent of those days, where they're coming from and any kind of additional thoughts there.

<A – Charlotte C. Simonelli>: Sure. So for 2019, we have $75 million in cost savings and the majority of those are around the office footprint. So we're rationalizing offices, brokerages, making them a little bit more attractive, modern, easier to use, but it's a lower square footage per agent. So there's a lot in the office and the facilities, but also in the people that support those offices.

So that's really the predominant focus of the 2019 cost saves. And because of the timing of the season, there's a large chunk of those that are happening now in the fourth quarter. So we get the carry forward benefit next year of things that we're doing right now. And that's about $30 million of carry forward benefit into next year. Then we just launched a new program that's around simplification and standardization and we've already actioned it. So we have about $40 million in savings for next year that we've already action, which is around our whole structure of how we work together, like in corporate, how Realogy works.

And what we found is we had redundancies and management layers. So we were able to streamline the management layers as well as redundancies and activities, people – different people doing the same thing, where you really only needed one person to do that thing. So these redundancies have already been announced. And so they're happening now and we'll get the benefit of that next year. And so I'm really excited, because we actually already have 70% to 80% of our cost savings for next year actioned, which feels great.

Then there's a bucket. So we've announced a target of 80 to 100 for next year, and that leaves us with like another 10% or 30% to go find. And we have a program ongoing right now around procurement. So how we leverage the spend that we have of goods and services. And there's three big buckets of spend, there's facilities, there's marketing and there's the IT that we've been speaking about. And so we will announce additional savings for next year in this space, just it's basically vendor rationalization. So if we use 10 different vendors to do something last year, we might just use two next year and you'll get a better rate, because of volume discounts.

So it's nothing that other industries haven't done already, which is good because then that leaves me with further ideas for the next year and the next year. So I love that it's already actioned and I love that the remaining 10% to 30% is well in hand, and then that leaves our efforts to focus on driving the business. So I'm very excited about those.

<Q – John Campbell>: Yeah, absolutely. So as we think about for next year, there's a couple moving forward things to consider maybe splits cool off, maybe they don't, who knows? You've got $70 million to $100 million of incremental cost saves on the way that you just laid out. It doesn't sound like you're going to really chase high producers, who are unprofitable for you guys. So maybe you run a little bit lower than NAR as far as a revenue growth. But I think the big swing factor most investors have is USAA and the impact from USAA within Cartus and in the relocation business. Can you help size up kind of the impact from – just basically coming...

<A – Ryan M. Schneider>: Yeah. So we had really two big things in the quarter that hit our Cartus segment or for those of you who aren't as close to the company, the Cartus is our relocation segment. It's either the third or the fourth largest of our four businesses depending on how you measure it. And we had the transaction that I talked about, but we also had the USAA change, on the positive side, we had the turnkey launch and then the AARP launch coming up. And we went into the third quarter call, literally having gotten kind of the deal done the week of the call.

So we know there's a bunch of information for the future that we've got to sort out of kind of what share with you. But on the USAA thing, I referenced what was said at this Investor Day back in 2017 before I joined, about 60,000 of the downstream transactions that we've generated in terms of from affinity – came from affinity, right.

And that's not just USAA, it's USAA, it's Navy Federal, it's some other partners. But USAA was our biggest partner of that group. There's pretty concentrated, we've talked about that, but they were our biggest partner. And about 80% of those referrals went to our franchise business and about 20% went to our owned business. And the economics of transactions for us are different than those two businesses, as many of you know. So that'll help you kind of size it a little bit. And so there is the – there's going to be whatever EBITDA reduction there is in Cartus, we've never broken that out yet. We'll decide what we do for the next call. But I don't want people to lose those downstream transactions, because they tended to be higher margin ones, because they come with a referral fee associated with them, because they were – those lead generation kind of stuff.

So that's a little bit more detail, probably, as far as we're ready to go right now. I gave you some more detail on the relocation side earlier in the call and then we've got to just between now and our next call, kind of figure out how we're going to deal with both of those things that hit this one segment, in terms of giving you some thoughts going forward. But that's more than we'd shared before and hopefully it's helpful.

<Q – John Campbell>: Yeah, absolutely. I just one more related to that – just to what extent you're comfortable sharing. I mean, I think in 2020, maybe 2016 Analyst Day or Investor Day,

you guys outlined that maybe $33 million was coming from downstream EBITDA. Is that – are we a similar size today?

<A – Ryan M. Schneider>: That was the 2017 Investor Day. It was the same place where the numbers that I just broke out and the real numbers I broke out from the gentleman's earlier question kind of all came from. Yeah, and that's a fine zip code, I mean, it's in the same zip code, but remember that was for all downstream transactions from Cartus. So from like the 80,000, that includes relo. It includes all affinity and USAA is the biggest in there, but includes all affinity and then it includes our to broker referrals, which is how our brokers use that network to do referrals in different geographies and kind of generate some revenue and economics. So that is the downstream number for that whole group of transactions. And based on, what I gave you today, you can assign a piece of that to USAA.

<Q – John Campbell>: So going back to capital allocation, the decision to remove the dividend that seemed like that was the right thing to do, but if you can walk through the rationale there.

<A – Ryan M. Schneider>: Sure. So, if I think back kind of the company I worked at before coming here, one of the most violent things I ever got to be part of, and thankfully I wasn't in this chair for it was a dividend change. And what it really taught me was, you're going to change your dividend, you do it with a lot of thought and you do it once. You don't do it in different times. People would recommend it. You should just cut your dividend half or lower it down over time. No.

Look, I never was a big fan of the dividend given the profile of our company, right? We're a very cyclical company. And so we had – what's a pretty small dividend, but it's still a dividend, when I joined or when Charlotte joined and both of us were of like mind, it just wasn't the right thing for a company of our profile, both the cyclicality part as well as the leverage part. And my priorities are invested in the business first. And I'm going to do that with every dollar I have, until I don't have opportunities and then I'm going to pay down debt. And paying a dividend is neither of those things.

So Charlotte and I kind of agreed this really just wasn't the thing we wanted to do. And after, she's been here about six months and we decided in the third quarter in part just with everything else going on that we were having to reset with you on with the transaction, with USAA, et cetera. We might as well just kind of rip the band aid off, do it now. I had no interest in kind of lowering it down piece by piece over time. To me, this as a one time thing and then you move on from it.

And so that's kind of the logic how we got here, but it really comes down to trying to consistently articulate that we want to invest in the business. And I feel good about our earnings and free cash flow ability to do that. I want to deliver and because we're going to have this nice kind of one time infusion of capital that we can use for delivering, when we close a relo transaction. Let's add the dividends kind of benefit into that too. And so we pulled the band aid off in Q3 and we're not going to look back on that one. And I don't think a dividend will be part of our future, because I just don’t think this is the profile of a company that should be paying a dividend. And I’m glad that it’s behind us.

<Q – John Campbell>: I think we got time for maybe one or two more.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: So this is a question from an insider question from Rob on what we’re going to use Exclusive Look. We’re excited about Exclusive Look. So Exclusive Look is a product that we recently launched that’s going to be national in our business by the end of the year on the owned side. And we’re going to rollout to franchisees, which lets our agents and our Coldwell Banker brand see the listings that are coming to – for those agents coming to market in advance, when it gets posted on public websites.

Exclusive Look is totally in compliance with all of today’s MLS rules. So everything we’ve ever architected is in compliance with the rules. I’m a rules follower. We are rules followers and we’re going to continue to be and what Exclusive Look is not is some sort of pocket listing that never comes to market. It is giving people a few days inside or few days advance notice of something that’s coming to market, that’s going to be a powerful thing for the brand or reason to be part of the brand and a reason to help our agents generate more transactions with us on both sides of it. So we like it a lot. It’s totally compliant with MLS rules today. If those rules change, then we’ll deal with it. But we think it’s good for the home seller and the buyer and the agent. And so we like the product.

<Q>: [Question Inaudible]

<A – Ryan M. Schneider>: I don’t – I’m not sure, exactly, what you’re asking there. So we should probably take that one offline, but we’re comfortable with how it’s working in the market today.

<Q – John Campbell>: Last question for me. What of these handful of items is the most overblown, like as far as investors maybe getting over their skis and thinking that there’s actual disruption there. So be it iBuying or the – iBuying agent less transaction, like, cutting the agent out completely or agent commission dollars being cut tremendously.

<A – Ryan M. Schneider>: Well, the fact that you started off with like almost accusing me of being dead that might be the most overblown. Look, there’s a lot of disruption out there, but we’re wanting to be part of it. I think the thing that I need to get most comfortable with joining this company is the enduring value the agent delivers in the transaction is incredibly high. And that has been prophesized to go away for 25 plus years and it continues to be there. And I think there’s some lessons to learn from that. And so it’s the dismissing of the agent value add is, I think the biggest thing that people continue to get wrong over 25 years.

<<John Campbell, Analyst, Stephens, Inc.>>

Okay. That’s very helpful. Thanks for the time.

<<Ryan M. Schneider, President and Chief Executive Officer>>

Thank you all. Thank you.