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Matthew Bouley: Bouley, Barclays US home building and building products analyst. Thanks everyone for joining day two of our virtual building and building products conference this year. Very happy to have Realogy joining us here for the next fireside chat, Ryan Schneider CEO. For anyone listening, please feel free to email me or Bloomberg message me any questions for Ryan. And I will try to work those in alongside my own Q&A. So Ryan, thank you very much for joining us today. If you would begin with your overview and any update commentary that you want to give on Realogy, and then we'll dive right into Q&A from there. So Ryan, please go ahead sir.

Ryan Schneider: Well Matt, thanks to you and Barclays for having us. For all of you out there, thanks for listening in on our story. This is really exciting time for Realogy and its investors and potential investors. We are demonstrating some really impressive results, above market results. Not just with record earnings, with a balance sheet that's gotten to the best position it's ever been and as a public company and the lowest leverage ratio we've ever had, but massive revenue growth, we are gaining market share. We've been doing that for four quarters in a row, and we are frankly changing our industry with some of the things we're doing to change the transaction. And it showing up in two ways. One is we are increasingly using our technology and our digital products to capture a lot more title and mortgage economics. And you've seen that as a trend in our financials for multiple years. But second, we've partnered with Home Partners of America to be part of actually re-inventing the transaction, our real sure product and our joint venture with Home Partners of America, who's now owned by Blackstone is now in 21 cities.

Ryan Schneider: We are helping customers sell their house frictionlessly. We're helping people buy their next house and we're doing it from a position of advantage because unlike many people trying to solve that problem out there, we're able to leverage 200,000 Realogy agents to make that happen. And we really like our model. We like our early results. We are substantially increased in our investment in that business and we think it is a great future growth trajectory for us alongside the growth we have today, especially from our luxury leading business and especially from how our technology and data is helping drive our agents to be productive.

Ryan Schneider: Again, not just to take advantage of the strong housing market we have, but to actually take share in that market and frankly substantial share for multiple quarters. And unlike many people in our industry, we are doing it with massive profitable growth and strong margins. And you see that across all of our businesses and culminating in a record quarter of over $300 million of operating [EBITDA] and a leverage ratio that's now down to 2.5 times, which both are things we are really proud of, but we think they're just the beginning of a strong future for our company, both strategically and financially. So we are incredibly excited to be here and thank you for taking an interest and I'd love, Matt, to turn it back to you to take any questions that you've got to tell our story.

Matthew Bouley: Wonderful. Well, thank you very much for that helpful overview there Ryan. So plenty of areas to jump off into there. Maybe starting off on the market share side, you mentioned four consecutive quarters about pacing the market. It's clearly been not just the small outpacing of the market. I would argue. So, if you could kind of parse out what's driving that. There's clearly some geography strength at the higher end of the market. What is it that you see as driving the share and then can you tell even within some of those things, like within high-end real estate, or if you're actually taking share from others as well?

Ryan Schneider: First off Matt, great question. We absolutely can get into all of that. Let me start with your first point, which is not only are we taking share, we're taking a lot of share. Our transaction volume is substantially above the industry's numbers for the last four quarters. And when I say substantially, it's almost doubled last quarter. Industry up like 50%, we were up north of 80%. So we're taking substantial share and we're taking share for two reasons. One is we have a number of strategic initiatives that are working. Whether it's our agent growth, our franchise expansion with Corcoran, the way our technology and data is driving more transactions. That has been a really powerful part of us taking share. The other part of it is taking share is we are the number one player in luxury and luxury has had a disproportionate rebound coming out of COVID.

Ryan Schneider: We sell more million dollar houses than anybody in the industry. We sell more $10 million houses than anyone in the industry. And we like our share gains here, architected in luxury, but also in the broader strategic things we're doing around growth expansion and technology. And you pair that with the strength of the higher title and mortgage results that we've been getting. And you print some numbers that are pretty impressive and you improve your balance sheet, whether it's through our very strong free cash flow or our substantial reduction in our net debt.

Matthew Bouley: That's very clear and helpful. So as a follow on to that, on the luxury market specifically. You gave some commentary on your quarterly call the other day around what you're seeing around open transaction volumes in June and July. I'm curious if you could parse into that a little bit and just given the strength of the luxury market, perhaps help investors understand how luxury is continuing to perform within these recent trends you've outlined.

Ryan Schneider: Yeah. Luxury has continued to perform great. And in fact, with New York city starting to come back and us having a large presence in New York city, we have the number one brokerage in New York city. That's even more tailwind for us on that. But we were really excited to see open transaction volume in June be up substantially. Not just from 2020, but up versus 2019. And then our July open volume through, I think about the 23rd of the month was up versus 2019 substantially and was just as good, maybe even a little bit up versus 2020. So we're seeing the strength of the housing market. That's the biggest question we get. What's going to happen with the housing market.

Ryan Schneider: And we are seeing the continued strength of it, both in our open transaction volume that we shared all the way through almost the end of July and in our closed volume. Our July closed volume was up substantially versus both 2020 and 2019. And between some of the changes happening with consumers, low rates that helps a ton. We think there's a lot of momentum left to go in this strong housing market. And we are very well architected with luxury, for example, and with our geographies to disproportionately benefit from that strength as we've shown in our results.

Matthew Bouley: Got it. That's very helpful. And then, so one more just on the market here, as you mentioned, it is a hot topic. You've seen signs of deceleration in the overall market, particularly on unit volumes, but price appreciation remains strong. Is there any concern that some of this deceleration does translate to slower price appreciation and just how are you guys thinking about the growth rates in the market and how you're positioned within that?

Ryan Schneider: Well, to be clear, we at Realogy, I don't want to say we've seen deceleration really. What we've really seen is units not growing. That's what's happened in July, in our July numbers. We shared that on the call. That in July, pretty much all the growth we saw was from price like you talked about, right? Depending on the day I look at it, units are up, units are down a little bit, but we moved from like 5 million-ish units as an industry to like 6 million on a run rate basis last July. And our most of July data kind of kept going for us with again, not unit growth, but kind of unit about stability, but then a bunch of price growth. So that feels pretty good. If we can stay at a 6 million kind of run rate as an industry for resale houses, Realogy with our market leading position, our number one share and 16 plus percent market share we're going to do really well.

Ryan Schneider: What I will say has happened beyond the price depreciation is I think there's been a little froth coming off the market. There was a time period earlier this year, especially in certain... Florida, Texas, Arizona, Montana destination geographies, where we were seeing anecdotally 15 offers on a house, right? Now, we're seeing five. Now five is still a really healthy thing, but it is a little bit less frothy than maybe it was at recent times, but we're still seeing the underlying strength in kind of plus or minus kind of unit stability. We're still seeing the price depreciation. Low rates helps people afford that. And we are still seeing more multiple offers and more houses selling above listing price than kind of we typically ever see. So we like the strength of what we see and some of the talk of deceleration, maybe a little over done. On the other hand, it also maybe that we continue our better than market performance when we look at our numbers and share them with you like we did with our July numbers.

Matthew Bouley: Got it. Yeah. That's a very helpful clarification there. So I want to ask about the competitive landscape. Ryan, over the years since you've been CEO, I know in different markets, you've done different things to make sure that the Realogy offering is competitive. I'm thinking about commission splits and things like that, different packages. Could you speak a little bit about just kind of the markets for agents today and how that competitive landscape has sort of evolved.

Ryan Schneider: Sure. And I'm going to start with the Olympics. Go team USA. We just finished that. When you get the Olympics, you'll look at the brackets and people always ask, who's got a good draw, who's got a bad draw. Well guess what, if you draw Realogy, you've got the bad draw. So like, we're the bad draw for other people in this competitive thing. It's a very competitive market out there. Pre-we work, I would say it was in a different zip code. I've said that for a long time. Since then, I would say it's just been quite competitive and we're a big part of that competition. And you can see our success in there in our agent growth, in our Corcoran franchise expansion, in our above market financial growth and frankly just the profitable financial numbers that we continue to drive.

Ryan Schneider: So, one of our watchers made the point of in real estate the choices between extreme competition and very competitive and extremely competitive, it's not where it was in 2018 and most of 2019, which is good. But it is still very competitive, but we are a big part of that. And I think we're printing results that actually show a bunch of success as a formidable competitor, both on the growth side, but also making it profitable growth. And again, both our brokerage and our franchise business.

Matthew Bouley: Got it. That's very helpful color. So I have to ask you about RealSure. You really highlighted it in the last call. You just mentioned it. I would say... I would characterize it as tangible excitement and correct me if that is not a good characterization. But a couple of things on it. Number one, what's different about RealSure versus traditional I buyer. And number two, obviously from Realogy's perspective, the economics of this JV. These would be at being sort of a tool for agents. How does that kind of all blend together?

Ryan Schneider: So, let me start the latter. Like it's a 50/50 JV, Realogy and Home Partners of America. They are a powerful company with deep experience buying, maintaining, renting, and selling homes. They've done like 20,000 other things. And we're a powerful company with massive distribution and kind of national coverage. And together, we're really excited about what we're doing. We're already operating in 21 markets. And what we do a bit differently than a lot of the traditional folks is, we're not here to buy your house in three days with an exploding offer. Our offer to buy your house is good for 45 days. But during that time, we use our agents to try to sell it for a higher price. And when we sell it for that higher price, the customer keeps more money and they pay a lower fee.

Ryan Schneider: So we think it's really good for customers. It's good for our agents. It also means we actually don't have to buy as many houses in a world where people tend to lose money frankly, sometimes buying and selling the houses. So, we like what it is from a lead generation and agent standpoint, but we also think with HPA's expertise and our scale, we can make the economics of this thing very powerful. And here's the reality, we're in 21 cities doing this already and you can look at the path. A lot of startups have gone on this thing. And if you looked at what RealSure was doing and valued at the way the startups get valued, it would change the whole value of our company. Now, maybe that's not how the world works clearly in some ways, but it's a little bit of a shame that this thing is hidden within a $6 billion revenue company here.

Ryan Schneider: But we're very excited about it. It's very tangible and we're now getting ready in testing some products that will help people not just sell their house, but buy their next house as we really are trying to use our scale to simplify this transaction. We think the agents can have a big role in that. And we like our distribution and we're very excited about the product and we're going to push it pretty hard. We liked the early results a lot.

Matthew Bouley: Great. That's helpful color. So can I ask about the technology tools? We saw the video you guys put out the other day around the benefits of the open ecosystem that you've championed for awhile. Can you just expand a little bit on sort how agents you think... How do you think agents are responding to an open ecosystem relative to more of a closed loop, so to speak? And what else do you think you need to offer agents?

Ryan Schneider: You can always find someone to say something good or bad about anything in the world if you've got enough people and we have 200,000 agents. Here's my view just for a bit of habit in this world we're living, which is we do work with an ecosystem of 200,000 agents and we're growing that number of agents. We have 2,400 franchisees and one of my learnings in the last few years is the relationship between the fact that there's no cookie cutter way to sell real estate. Agents operate very differently. The other is agents are independent contractors, right? We can't mandate they use a certain technology or anything like that. And so I believe in a world where you could architect an open ecosystem pretty easily today, unlike five or 10 years ago, if you're using API as well and things like that.

Ryan Schneider: That we are better off providing some very good Realogy products to those agents, but also giving them options that are from third parties that we curate that we think are really good. And we like the uptick. We have some agents who use a lot of Realogy products. We have some agents who don't and that's fine. If they want to use Market Leader, they can use Market Leader. I'm good with that. But our job is to provide them good technology that will make them more productive and more efficient. And the challenge of doing that with a closed ecosystem is you're building something that you hope works for everybody. I'm not sure that's how the world works. And so we've gone down this open ecosystem path. We liked the early results and we're going to continue with it.

Matthew Bouley: That's helpful color. And so the follow on to that is, you've over the years spoken at length about your scale and access to data and how you're using that to sort of enhance the tool that you have for agents. Can you just kind of update us on where you are on that? What are some of the things you're doing from a leveraging your scale and access to data perspective to benefit agents?

Ryan Schneider: Well we've got two advantages, especially for investors who are newer to the story out there, potentially. One is with our national presence, I think we have the most real-time data on what's happening in housing that anybody has between our national presence and our scale in terms of market share, because you can't get real estate transaction data in local markets if you don't have a presence there typically. So we've got that advantage. We also have the historical advantage of the length of our company and the amount of data that we generate, not just on the real estate side, but including on the title and mortgage side. So we like the data that we've got. We've been leaning a lot into data really to help run the company better even more than direct to agents, but we'd really do two things, right?

Ryan Schneider: We have a bunch of data-driven things around agent commissions, around recruiting, around franchise sales, things like that, that are about using our data to let us run the company better. And then we have a number of products that either agents or franchisees use that are built on our data. And sometimes we build those alone. Other times we've partnered with someone like Facebook to build a product that our agents can use. And we were excited... The Wall Street Journal did a write-up and cited a few of our examples that were out there in the market. And we like that. And so, we like our trajectory on this thing. There are no silver bullets in real estate, but if you don't have data scale, I think you're at a disadvantage and we have more data scale than anybody. And we're going to leverage it to both run the company better and put products out there that get better because they're using our data. Some alone and some with partners like Facebook, like [OJO] and a few others that we've built things together using data with.

Matthew Bouley: Got it. That's great color. So integrated economics, you mentioned it at the top. Curious if you can kind of update us on where you are on, think about attach rates. Title and mortgage, clearly two areas you've invested in quite a bit over the years. How are you thinking about the capturing more of that transaction. Where are you today and where can it go [crosstalk].

Ryan Schneider: So look, there's nothing new. Especially for anybody who's new to this part of the industry. There's nothing new about trying to capture title and mortgage economics. It's one of the oldest games in the real estate book. What is new is Realogy has made progress in the last few years, distinctly using digital capabilities to massively increase our title and mortgage economics. So, last year we had a couple of hundred million dollars of title and mortgage. We've got a few mark to mark and again on sale headwinds at the moment going on. But in general, you can still see our title results continue to grow. And we were generating more in mortgage economics than we had in the past before 2020. And the biggest reason we're doing this is we've invested in 18 and 19 in effectively digital only tools to make that customer experience better.

Ryan Schneider: So you can close on your house remotely on the title side. A digital only mortgage product that our partner guaranteed rate and us using our guaranteed rate affinity joint venture. And many of these things got accelerated by COVID and everybody being more accepting of digital. But what really happened is once people go through it once, an agent realizes, wow, that's a better experience than something before what a competitive title company offers. I want to use that. Or a customer's like, wow, that mortgage experience was great. And now it's time to refi. I want that experience again. And so, we've seen a real acceleration in the digital products we use to drive title and mortgage and so we're very excited by how that is really where the future needs to be going. And that we made those investments. We have those products and a lot of our competitors didn't. Heck a lot of our competitors don't even have those businesses. But we do with strong economics and we're all about using the technology to capture and do more of that going forward as much as we can.

Matthew Bouley: Got it. So, are there any areas beyond title and mortgage? I know you've spoken a little bit to it in the past, but just any areas you're taking a look at exploring, or perhaps even already involved in, in terms of capturing even more of that transaction?

Ryan Schneider: The one other piece is insurance. We actually have an insurance business. It's pretty small relative to title and mortgage. We can and we'll do more there. We've got a great new leader of that business from the last year or so. And we're excited to kind of turn that into hopefully something meaningful over time, but those are really kind of the big three that surround the transaction. And again, we've got the scale, we actually demonstrate that we can do these things and we want to do even more of them and we think it's a competitive advantage because the purpose to do it, isn't just for the economics. The purpose is to also, again, simplify that transaction, make it a better experience for the customer. And we will do that in our legacy business that we're talking about, and we've had a lot of success there, but we're also using the RealSure growth vector to simplify the transaction in a more fundamental way. And the fact that we're making progress on both and it's showing up in our numbers and our economics and our market share, has us excited about the path and the future.

Matthew Bouley: Great. That's helpful. So can I ask about the franchise business? I think the topic du jour on that side has been your broadening of the Corcoran brand into franchise. Can you just kind of expand a little really along the entire set of brands there you've got. Churn what's going on with franchisees and then what really is that opportunity with the Corcoran business there?

Ryan Schneider: Well, the first thing is you should hopefully be really excited about our franchise growth. And when you look at the margins of that business, hopefully people are doubly excited about the fact that we're growing our franchise business and we're gaining share in franchise. Franchises business has been outperforming the market for the last four quarters along with our own business, brokerage business. And we're just really excited by the growth we've seen and the growth come in multiple ways, right? One example is Corcoran, right? We decided to franchise Corcoran and we kept investing in it, even in the teeth of COVID. And in the past year, it's gone from nothing to now a top 15 brand in real estate basically. We're in like 20 different geographies and we keep expanding and we started to do some international expansion in the Caribbean already and we'll keep going from there.

Ryan Schneider: And with the margins in the franchise business we love that kind of growth, but we're also getting great growth in Sotheby's and Coldwell Banker in part because they skew to the luxury side. And they're also geographically architected to be in some of the best cities in America that are experiencing a lot of the growth. So, that's been a really good thing. And then some of our mass market brands are more kind of just going with the industry in kind of that side of things. And so, we love all of our children equally, but back to where we started this conversation, the luxury side has more of the growth in it and has driven some of the market share gain. But is strategic initiatives like expanding Corcoran, that also adds to some of the market share gain that we've got.

Ryan Schneider: And look, we've got a healthy franchise network when we look at our bad debt numbers that we share with you and things like that. There is the macro trend of our best friend franchisees continuing to get bigger. We have 2,400 franchisees. The top two 50 are kind of two thirds of the network now, economically. That used to be 57, 58%. But they keep both growing more and buying more businesses or consolidating things in the industry. And so that's good. And we like what's happening out there in the network. They're subject to all the same competitive forces we are on the agent recruiting side and things like that. But overall we've got a business there that hopefully people like a lot, we like it a lot. And we're doing everything we can to grow it, whether it's Corcoran, Sotheby's, Coldwell Banker, Century 21, ERA or Better Homes and Gardens real estate

Matthew Bouley: Got it. Yeah. That's very helpful color there on the franchise business. So if I shift gears to the cost side, obviously [Charlotte] has made a lot of progress the past couple of years. Tangible progress on structurally reducing costs. Curious where you are in that life cycle, I guess. Should we be thinking beyond 2021? We see similar type of numbers or just any type of elaboration on that.

Ryan Schneider: So a couple of things on cost and we're not going to give you the 2022 numbers yet. It's a little bit early for that. But the first thing I think our owners need to know is, Charlotte and I are incredibly aligned that no matter how good or challenging the market, you've got to consistently become more efficient as a company. And you've got to do that both for the bottom line, but also so that you can reinvest in the customer facing things that are the most important things to drive growth. So, Charlotte's been here for a few years and has this kind of on a track record of 70 to 80 million dollars kind of annual cost reduction. Even this year when the market's very strong, we've got an $80 million cost reduction target. I believe about 50 million is already actioned and accruing on the P and L kind of thing already.

Ryan Schneider: And so, we'll give you next year's number probably later in the fall, but you should assume that that's something we think is an important thing as the two leaders of the company, again, both for the bottom line and to reinvest in the customer facing growth stuff. The other thing to keep in mind is, we cut a hundred million of temporary costs in Q2 last year, and we cut 50 million of temporary costs in Q3 last year. And so when I talk about numbers, whether I talk about, the really strong 300 plus million financial performance in Q2, when we print our Q3 numbers, keep in mind that those numbers include us making up for those temporary cost reductions that aren't in this year's numbers, but we're in last year's numbers. Now we've moved a few of those temporary cost savings to permanent cost savings.

Ryan Schneider: So there's a little bit of geography there, but the lion share of those temporary cost reductions, like salary reductions, my own and others, those are not things that we're repeating or making permanent. So, the economic strength of what we're delivering is even stronger when you back out the temporary cost reductions we've done. But hopefully those temporary cost reductions are also a signal to our owners that under pressure, we will move quickly and at high volume or high scale or whatever word you want to use, to do what we think we need to do to have the business in the right economic position.

Matthew Bouley: Got it. No, that's clear and very helpful there. So then shifting to the balance sheet you mentioned at the top. I'm going to paraphrase, but the kind of the best balance sheet position you've been in as a public company. There's a lot of cash on the balance sheet as well. Should we be thinking de-leveraging versus future capital deployment efforts. What are some of the areas you're going that might change given that this is really the first time you've had a much cleaner balance sheet as a public company?

Ryan Schneider: So look, we have... Our leverage ratio has gone from four to five to two and a half. Our senior secured library ratio at the moment is actually zero because of the cash on the balance sheet. And we've done four good sized transactions in the last 18 months to lengthen our maturities pretty substantially. We've also shifted a lot of our debt from secured to unsecured. And then frankly, we've got substantial debt reduction. We had 500 million of net debt reduction. We'd actually paid down real debt. Charlotte's done that in the last number of months. And we have a very strong cash on the balance sheet. The first thing you should do is expect us to continue to invest in the business. We're going to do things like investing substantially in RealSure, investing in our luxury businesses, franchise expansion, our technology and data, because we want to drive the growth.

Ryan Schneider: We need the growth. We think it's powerful. We love our above market growth. And because we do it at strong profit margins, it's good for our investors. So we're going to keep investing in the business. We're also going to keep de-leveraging. It's an important thing. We want to continue to make progress. This is a cyclical business. So what we are looking for is to sustain our leverage ratio at these kind of lower amounts, compared to where we used to be for more than a quarter or two, right? And it is a cyclical business. So we are not going to change our focus on de-levering. As we go forward with our very strong, free cashflow generation and to the extent we get and can demonstrate that more sustained thing, we absolutely will think about other capital deployment opportunities here potentially for investors, but you should always be thinking that we are all about investing in the business for growth and making sure we have a very strong, healthy balance sheet. And hopefully that translates into good results for our equity owners.

Matthew Bouley: Got it. Well, with that we did a very quick 30 minutes. So Ryan very much appreciated for all the color, very helpful as always. And hope you guys do enjoy the rest of summer and best of luck in the next quarter.

Ryan Schneider: Same to you Matt and everybody listening. Thanks for taking the time. Wishing everybody well.