

# REALOGY

## Q3 2013 EARNINGS CALL

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November 4, 2013



# Management Presenters

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**Richard A. Smith**

Chairman, Chief Executive Officer & President

**Tony Hull**

Executive Vice President, Chief Financial Officer  
& Treasurer

**Alicia Swift**

Senior Vice President, Investor Relations and  
Financial Planning & Analysis

# Important Disclosures

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## **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 speaks as of November 4, 2013. 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**

*The financial measures EBITDA, Adjusted EBITDA, Adjusted net income, Adjusted basic earnings per share, Free Cash Flow and Cash Earnings Per Share, 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 24, 25, 26 and 27 of this presentation and Tables 1a, 6, 7, 8 and 9 of the November 4th press release announcing third quarter 2013 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.*



# Third Quarter 2013 Results

Financial Metric	
<b>2013 Q3 Revenue:</b>	\$1.55 billion (+21% year-over-year)
<b>Q3 Adjusted EBITDA*:</b>	\$286 million (+27% year-over-year)
<b>Q3 2013 Net income attributable to the Company*:</b>	Adjusted net income of \$150 million.  GAAP net income of \$109 million (+\$143 million year-over-year) includes \$22 million of debt extinguishment and \$19 million of compensation expense related to phantom value compensation plan that was funded as a result of a secondary equity offering completed during the quarter
<b>Q3 Earnings per share*:</b>	Adjusted earnings per share was \$1.03 and GAAP basic earnings per share for the quarter was \$0.75
<b>Q3 Free Cash Flow*:</b>	\$200 million

\* See Slides 24, 25, 26 & 27 for a reconciliations from net loss attributable to the Company to EBITDA, Adjusted EBITDA and Free Cash Flow. See Table 1a for a reconciliation of Adjusted Net Income and Adjusted Earnings per Share.



# Full Year 2013 Guidance

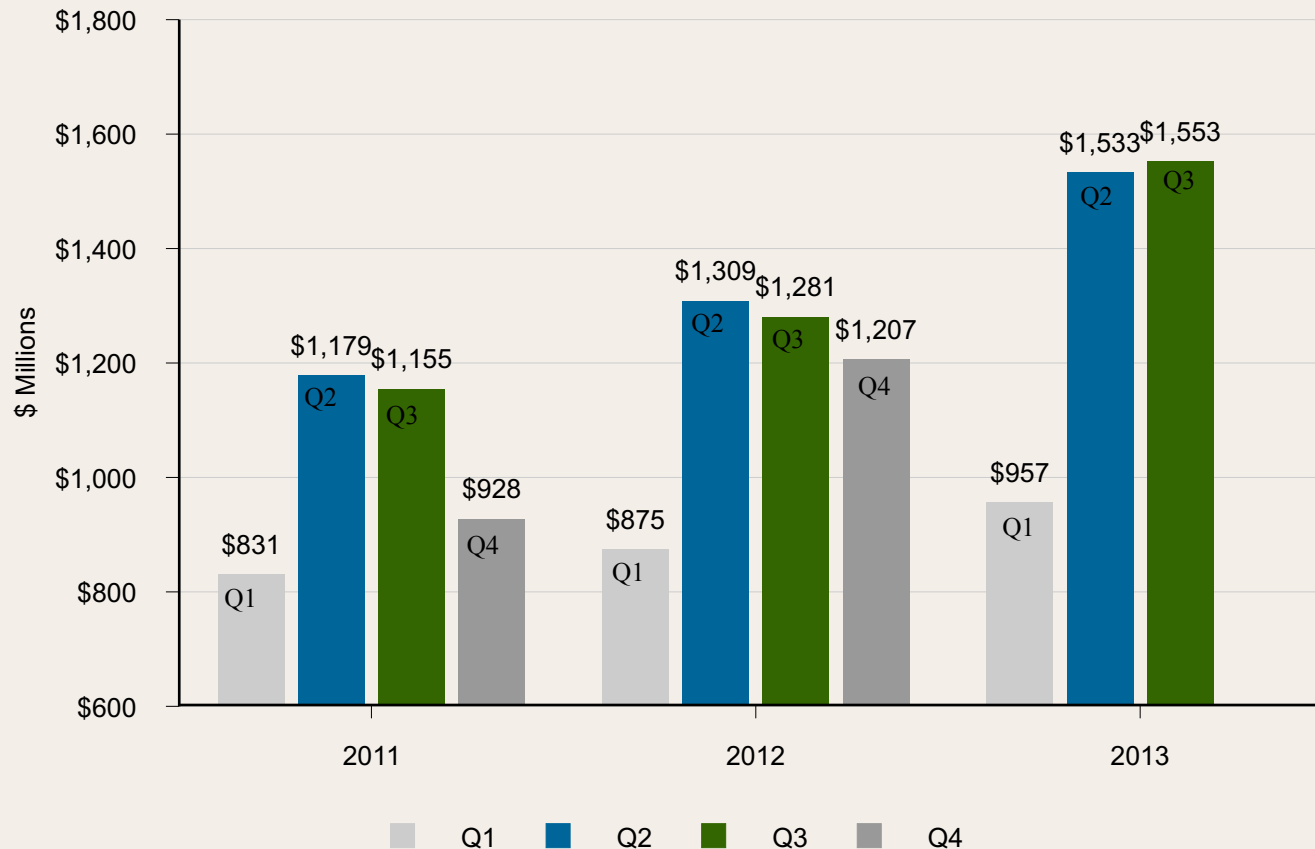
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Realty Combined (both RFG and NRT)	FY 2013
Adjusted EBITDA	\$785-\$800 million
Transaction Volume (Sides * Price)	+17% to 19%



# Seasonal Revenue Trends

## Quarterly Revenue



# RFG and NRT – Q3 2013

## RFG

- In Q3, added new domestic franchisees and sales associates with approximately \$54 million in franchisee gross commission income
- YTD, franchise sales at \$180 million (up 10% compared with first three quarters of 2012)
- Continued international expansion across our multiple franchise brands

## NRT

- NRT added four accretive tuck-in acquisitions in existing markets during the quarter
- Acquired Frank Howard Allen Realtors in Northern California, which was ranked among the largest U.S. brokerage firms



# Cartus and TRG – Q3 2013

## Cartus

- Signed 17 new clients and expanded domestic and international services with approximately 121 clients

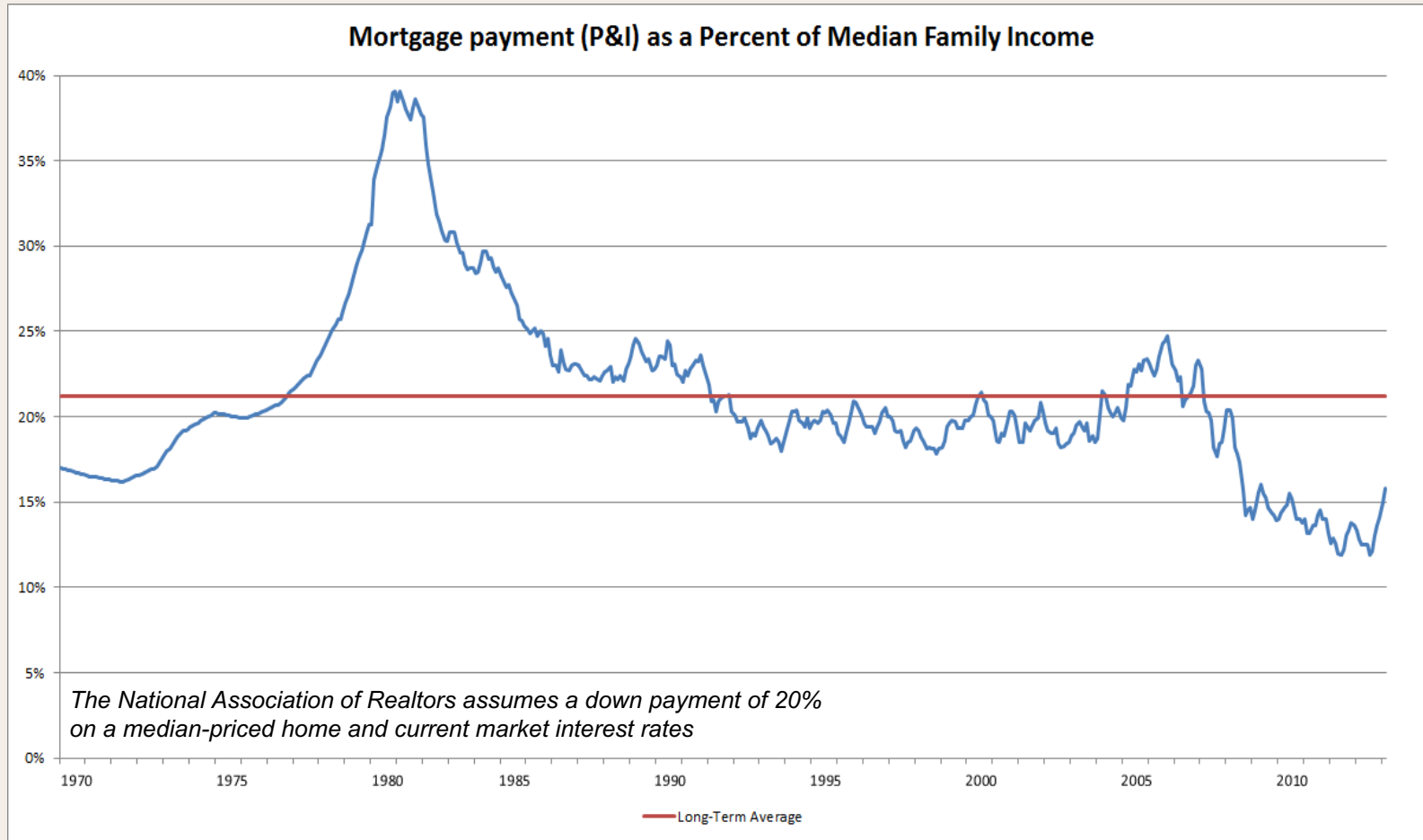
## TRG

- Capture rate on NRT home sales improved to 42%
- 27% increase in third quarter net underwriting premiums
- TRG's underwriting claims experience YTD remains below industry averages





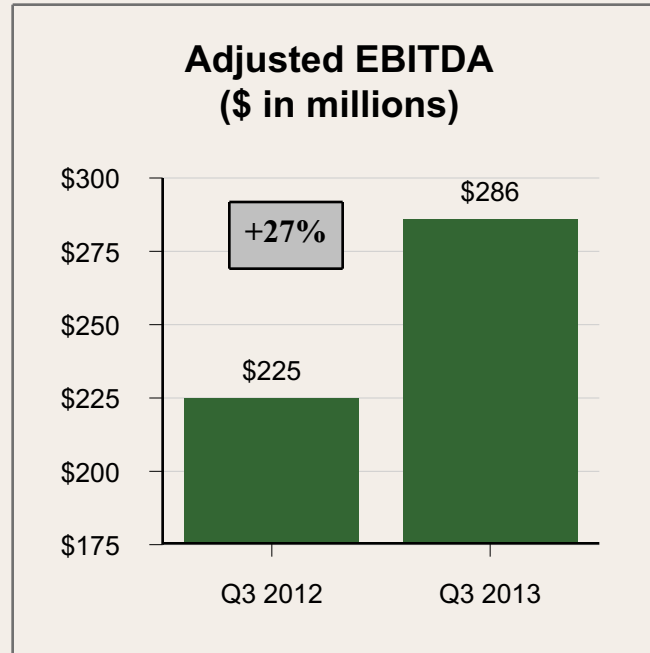
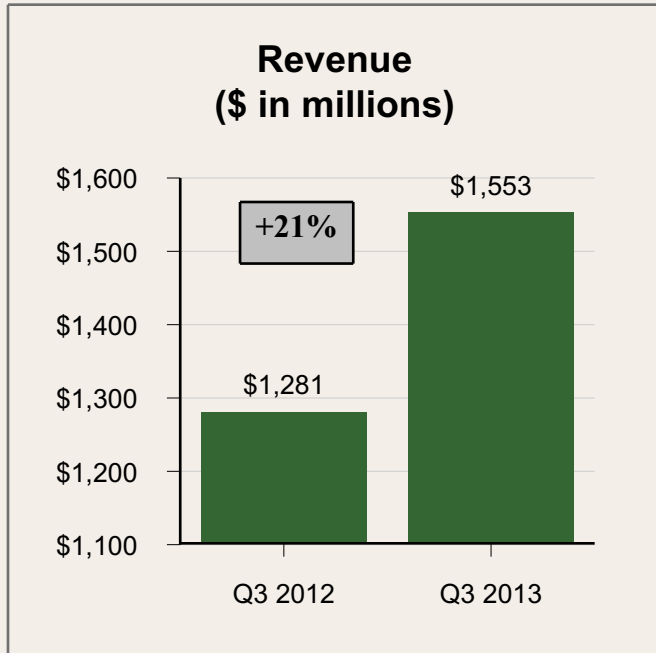
# Home Affordability Trends



Source: NAR Home Affordability Index



# Financial Summary



- Realogy free cash flow totaled \$200 million in the third quarter alone, due primarily to the strong gains in operations and lower interest expense
- Repurchased \$100 million of 9% notes, further reducing interest expense. Our net debt leverage to trailing 12-month Adjusted EBITDA at September 30, 2013 was 4.7x.



\* See Slides 24, 25, 26 & 27 for a reconciliation from net loss attributable to the Company to EBITDA, Adjusted EBITDA and Free Cash Flow.



# Third Quarter 2013 Results

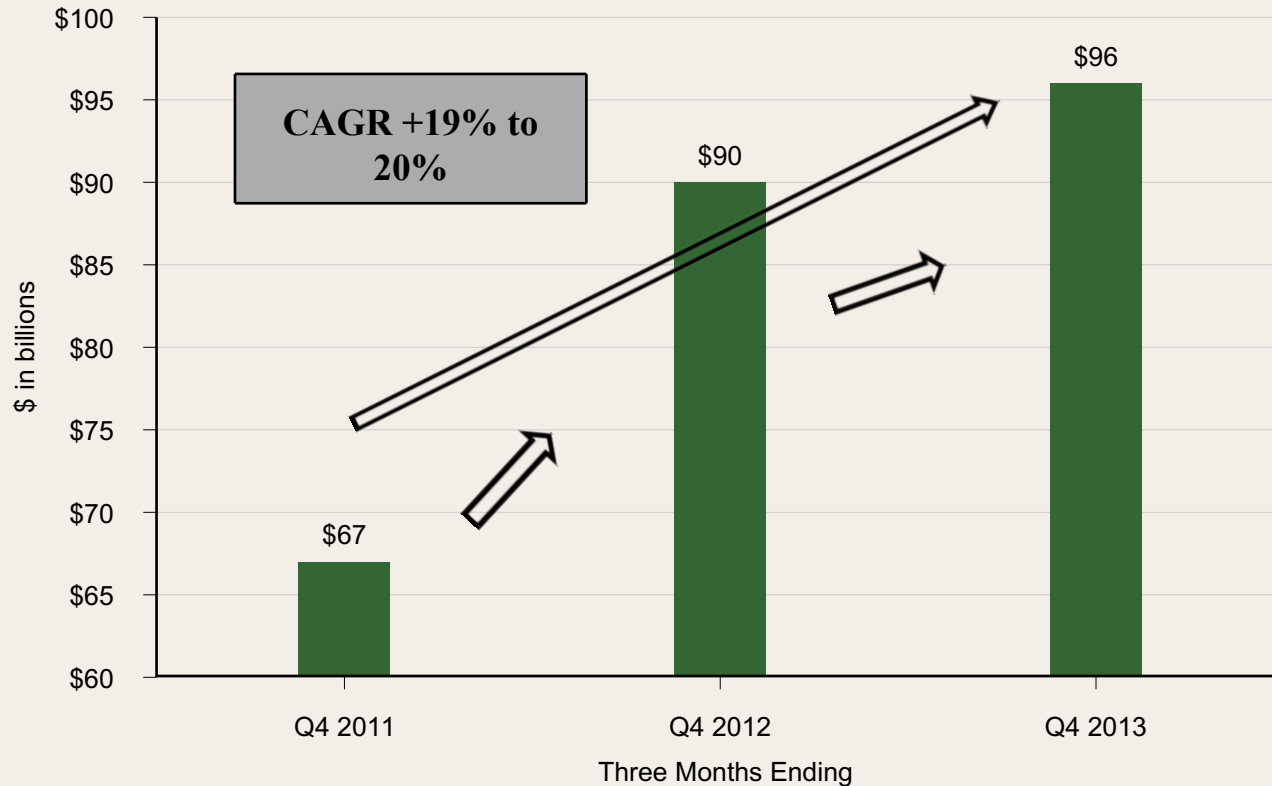
Realty Compared to Industry (y-o-y)	Q3 2013
<b>Transaction Volume (Sides x Average Price)</b>	
National Association of Realtors	+26%
Realty Franchise Group	+30%
<b>Realty (<i>RFG + NRT combined</i>)</b>	<b>+29%</b>

# Third Quarter and YTD 2013 Revenue Drivers

	Q3 2013 vs. Q3 2012		YTD 2013 vs. YTD 2012	
	Amount	% Change	Amount	% Change
<b>Realty Franchise Group</b>				
Homesale sides	315,432	19 %	827,632	12%
Average homesale price	\$ 240,408	10 %	\$ 231,538	10%
<b>NRT</b>				
Homesale sides	93,083	17 %	244,021	12%
Average homesale price	\$ 475,823	8 %	\$ 465,335	7%
<b>Cartus</b>				
Initiations	42,788	11 %	130,050	4%
Broker referrals	28,406	18 %	70,341	16%
<b>Title Resource Group</b>				
Purchase title units	33,540	16 %	89,204	12%
Refinance title units	17,625	(27)%	65,247	2%
Avg. fee per closing unit	\$ 1,579	15 %	\$ 1,469	8%

# Fourth Quarter 2013 Volume Perspective

## Fourth Quarter 2011 - 2013E Homesale Transaction Volume



# Business Unit Revenue and EBITDA

Net Revenue (\$ in millions)	Q3 2013	Q3 2012	% Change
RFG	\$ 193	\$ 161	20%
NRT	1,178	948	24%
Cartus	127	124	2%
TRG	134	114	18%

EBITDA (\$ in millions)	Q3 2013	Q3 2012	% Change
RFG	\$ 133	\$ 107	24%
NRT	91	67	36%
Cartus	45	45	—%
TRG	17	12	42%

(\$ in millions)	Q3 2013	Q3 2012	% Change
Adjusted EBITDA	\$ 286	\$ 225	27%
Adjusted EBITDA Margin	18.4%	17.6%	



# RFG Q3 Incremental Margin

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(\$ in millions)	Q3 2013	Q3 2012	Variance
Revenue	\$193	\$161	\$32
Less: Marketing Revenue	17	15	2
Revenue excluding Marketing Revenue	<u>\$176</u>	<u>\$146</u>	<u>\$30</u>
EBITDA	\$133	\$107	\$26
Incremental Margin			87%



# NRT Q3 Incremental Margin

(\$ in millions)	Q3 2013	Q3 2012	Variance
Revenue	\$1,178	\$948	\$230
EBITDA	\$91	\$67	\$24
Less:			
PHHHL JV	3	20	
Split Rate Increase	7	0	
EBITDA excluding PHHHL JV and Split increase	\$95	\$47	\$48
Incremental Margin			21%





# Capital Structure

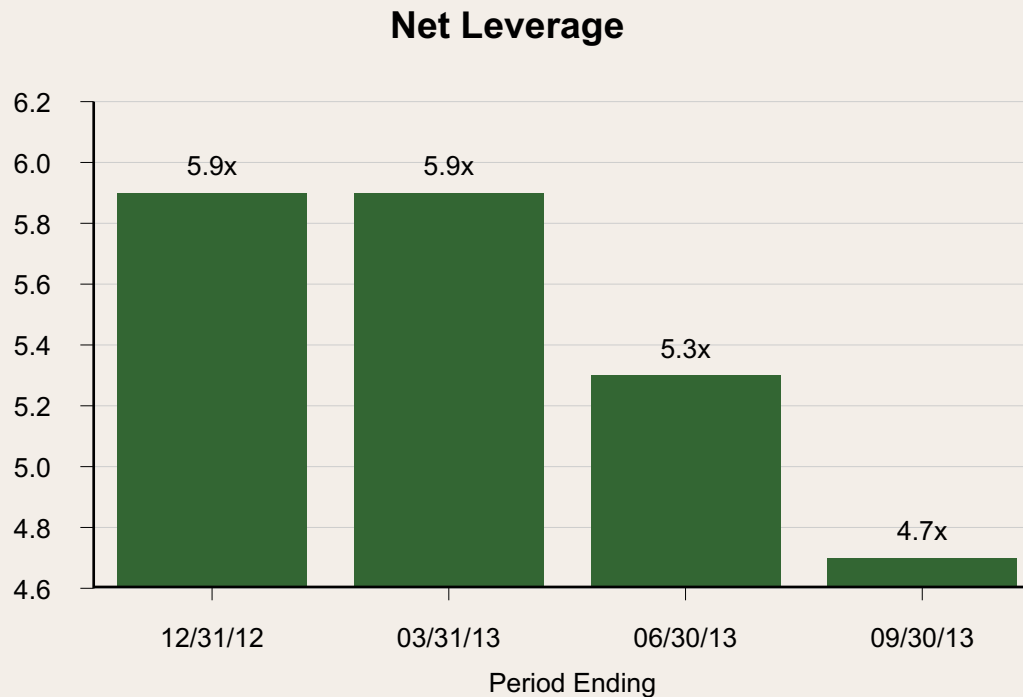
## Q3 Capital Markets Activity:

- Repurchased \$100 million of 9.00% notes at 18% premium

(\$ in millions)	Rate	First Call Date	First Call Price	September 30, 2013 Balance
Cash and Cash Equivalents				\$173
Revolver	L+275			\$40
Term Loan	L+350			\$1,897
First Lien Debt	7.625%	Jan 2016	103.813%	\$593
1.5 Lien Debt	7.875%	Feb 2015	103.938%	\$700
1.5 Lien Debt	9.000%	Jan 2016	104.500%	\$225
Senior Cash Notes	3.375%	May 2016	NCL	\$500
Net Debt				\$3,782
Net Debt /Adj. EBITDA				4.7x

# Historical Net Leverage

- Realogy continues to aggressively deleverage with target leverage of 3x Net Debt to Adjusted EBITDA
- Annual run rate cash interest expense now approximately \$240 million<sup>(1)</sup>
- Current blended interest rate 5.7%
- \$2.3B of NOLs at year-end 2012, which do not begin to expire until 2025



# Fourth Quarter 2013 Guidance

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Realty Combined (both RFG and NRT)	Q4 2013 vs. Q4 2012 % Change
Homesale sides	3% to 4%
Average homesale price	3% to 4%
Transaction volume	6% to 8%

Guidance as of November 4, 2013. Note that Q4 2013 has equal number of business days as Q4 2012.

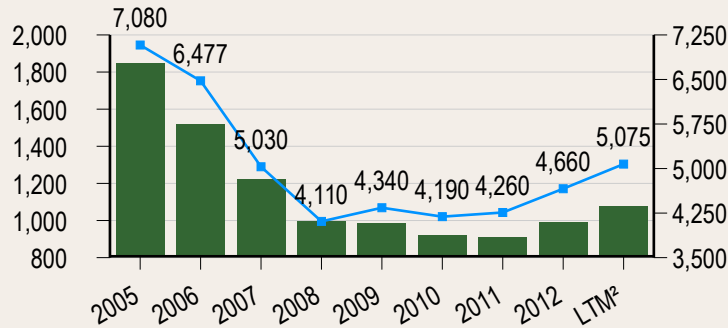
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# Appendix



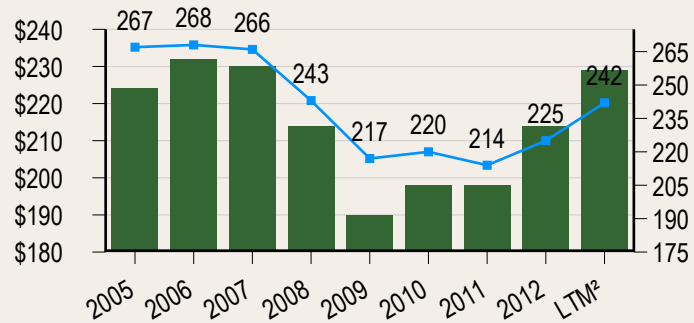
# RFG Historical Trends

## Homesale Sides ('000s)



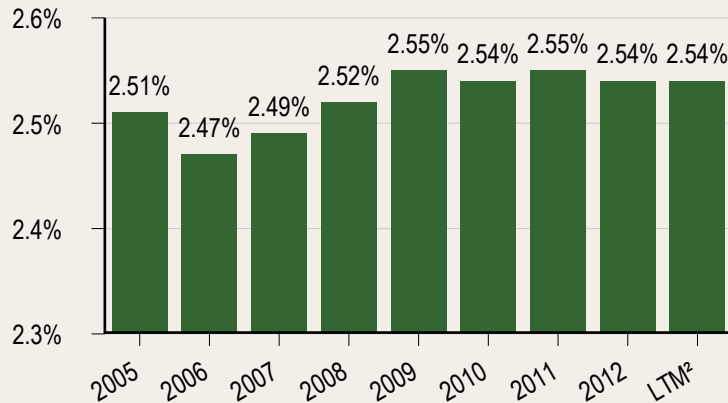
■ RFG Homesale Sides    —■ NAR Home Sale Units

## Average Homesale Price (\$000)

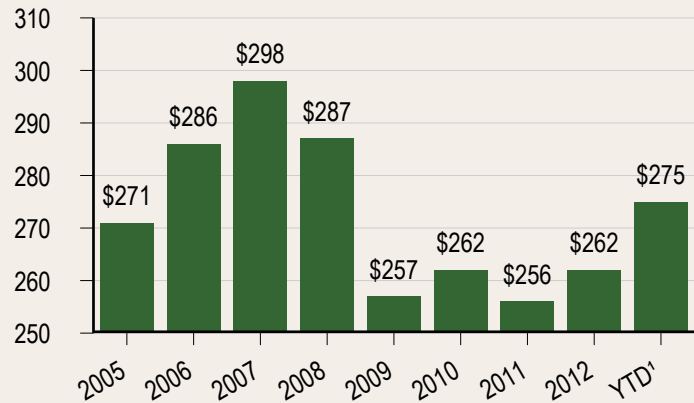


■ RFG    —■ NAR

## Average Broker Commission Rate



## Royalty Per Side

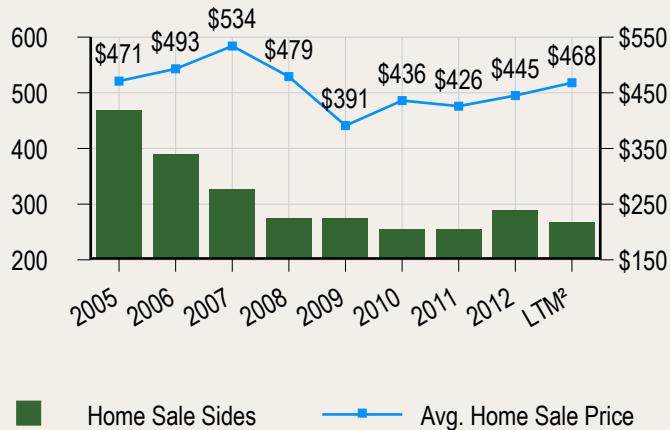


¹ For the 9 months ended 9-30-13  
² For the 12 months ended 9-30-13

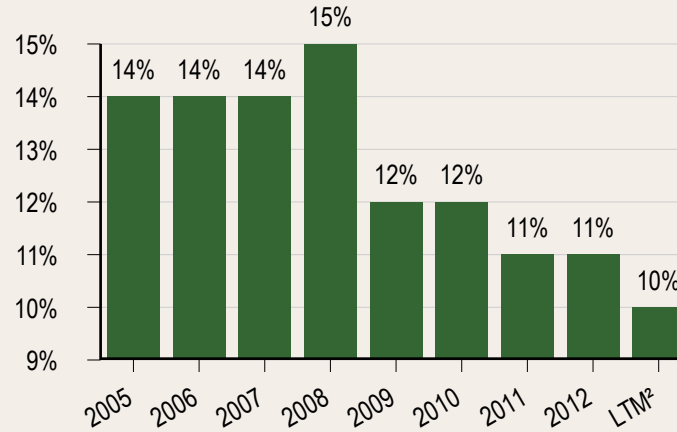


# NRT Historical Trends

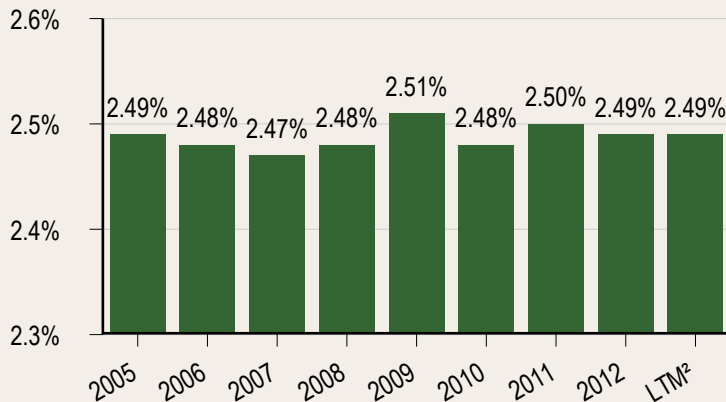
### Homesale Sides and Average Price (000s)



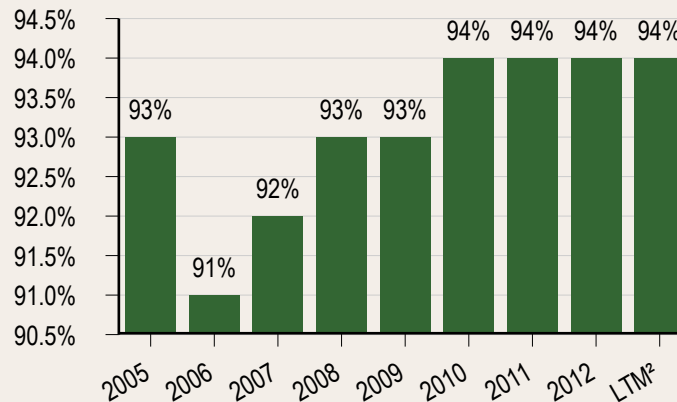
### Cancellation Rates of Open Contracts



### Average Broker Commission Rate



### Top Two Quartiles Agent Retention Rates <sup>1</sup>



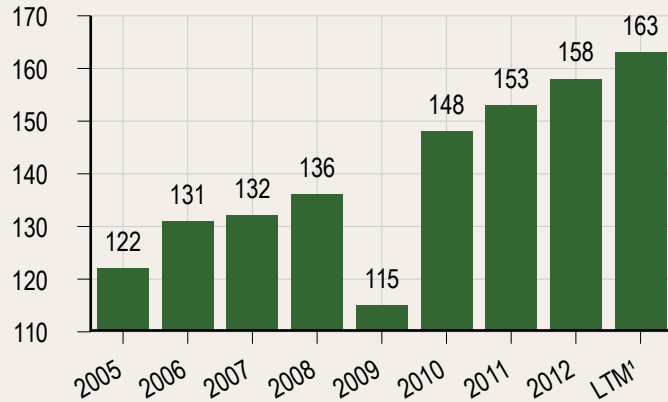
<sup>1</sup> Includes 1st and 2nd quartile retention rates.

<sup>2</sup> For the 12 months ended 9-30-13.

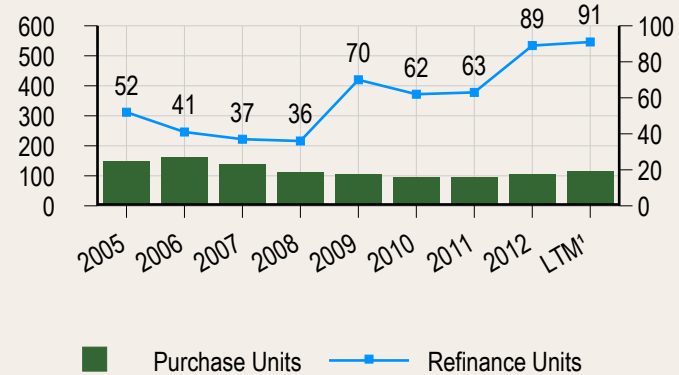


# Cartus and TRG Historical Trends

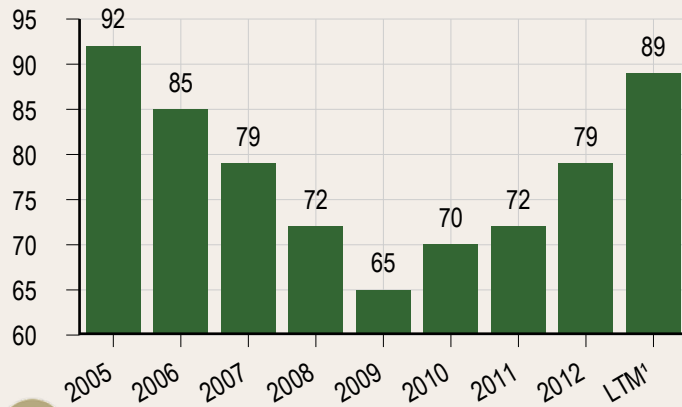
### Cartus Initiations (in 000s)



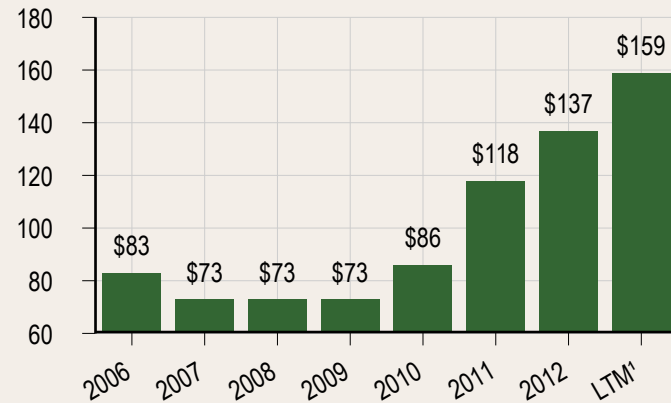
### TRG Purchase and Refinance Units (in 000s)



### Cartus Referrals (000s)



### TRG Underwriting Revenue



<sup>1</sup> For the 12 months ended 9-30-13



# GAAP Reconciliation

(\$ in millions)	LTM Ended September 30, 2013
Net loss attributable to the Company	\$ (174)
Income tax expense	31
Loss before income taxes	(143)
Interest expense, net	225
Depreciation and amortization	172
<b>EBITDA</b>	<b>\$ 254</b>
Restructuring costs and former parent legacy costs (benefits)	5
IPO related costs for the Convertible Notes	361
Loss on early extinguishment of debt	86
Pro forma cost savings for 2013 restructuring initiatives	1
Pro forma cost savings for 2012 restructuring initiatives	1
Pro forma effect of business optimization initiatives	19
Non-cash charges	40
Non-recurring fair value adjustments for purchase accounting	1
Pro forma effect of acquisitions and new franchisees	6
Apollo management fees	28
Fees for secondary offering	2
Incremental securitization interest costs	5
<b>Adjusted EBITDA</b>	<b>\$ 809</b>

Note: Refer to Tables 6 and 7 of the Press Release dated November 4, 2013 for the definitions of certain non-GAAP financial measures, a reconciliation of those measures to net income, and the Company's explanation of why it believes those non-GAAP measures are useful to investors.



# GAAP Reconciliation

(\$ in millions)	Three months ended September 30, 2013	Three months ended September 30, 2012
Net income (loss) attributable to Realogy	\$ 109	\$ (34)
Income tax expense	9	18
Income (loss) before income taxes	118	(16)
Interest expense, net	74	187
Depreciation and amortization	44	42
<b>EBITDA</b>	<b>\$ 236</b>	<b>\$ 213</b>
Restructuring costs, merger costs and former legacy costs (benefits), net	1	1
Loss on early extinguishment of debt	22	—
Non-cash charges	20	(2)
Pro forma cost savings for restructuring initiatives	1	—
Pro forma effect of business optimization initiatives	4	6
Non-recurring fair value adjustments for purchase accounting	—	1
Pro forma effect of acquisitions and new franchisees	1	1
Apollo management fees	—	4
Incremental securitization interest costs	1	1
<b>Adjusted EBITDA</b>	<b>\$ 286</b>	<b>\$ 225</b>

Note: Refer to Tables 6, 7 and 8 of the Press Release dated November 4, 2013 for the definitions of certain non-GAAP financial measures, a reconciliation of those measures to net income, and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

# GAAP Reconciliation

(\$ in millions)	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net income (loss) attributable to Realogy	\$ 118	\$ (251)
Income tax expense	25	33
Income (loss) before income taxes	143	(218)
Interest expense, net	230	533
Depreciation and amortization	130	131
<b>EBITDA</b>	<b>\$ 503</b>	<b>\$ 446</b>
Restructuring costs, merger costs and former legacy costs (benefits), net	4	3
Loss on early extinguishment of debt	68	6
Pro forma cost savings for restructuring initiatives	1	4
Pro forma effect of business optimization initiatives	14	28
Non-cash charges	37	(6)
Non-recurring fair value adjustments for purchase accounting	1	2
Pro forma effect of acquisitions and new franchisees	4	3
Apollo management fees	—	11
Fees for secondary offering	2	—
Incremental securitization interest costs	3	5
<b>Adjusted EBITDA</b>	<b>\$ 637</b>	<b>\$ 502</b>

Note: Refer to Tables 6, 7 and 8 of the Press Release dated November 4, 2013 for the definitions of certain non-GAAP financial measures, a reconciliation of those measures to net income, and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

# GAAP Reconciliation

	For the three months ended	
	September 30, 2013	
	(\$ in millions)	(\$ per share)
<b>Net income attributable to Realogy / Basic earnings per share</b>	<b>\$ 109</b>	<b>\$ 0.75</b>
Income tax expense, net of payments	6	0.04
Interest expense, net	74	0.51
Cash interest payments	(96)	(0.66)
Depreciation and amortization	44	0.30
Capital expenditures	(18)	(0.12)
Restructuring costs and legacy, net of payments	(1)	(0.01)
Loss on the early extinguishment of debt	22	0.14
Working capital adjustments	(8)	(0.05)
Relocation assets, net of securitization	68	0.47
<b>Free Cash Flow / Cash Earnings Per Share</b>	<b>\$ 200</b>	<b>\$ 1.37</b>
<b>Basic weighted average number of common shares outstanding (in millions)</b>		145.6

Note: Refer to Tables 6, 7 & 8 of the Press Release dated November 4, 2013 for the definitions of certain non-GAAP financial measures, a reconciliation of those measures to net income, and the Company's explanation of why it believes those non-GAAP measures are useful to investors.