

Realogy

Earnings Call Q1 2020



CENTURY 21



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Sotheby's
INTERNATIONAL REALTY

RLGY
LISTED
NYSE

Management Presenters



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Chief Executive Officer and President



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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. Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management, including, but not limited to, any statements we make related to expectations with respect to the ongoing COVID-19 crisis. The information contained in this presentation is as of May 7, 2020. 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 14-16 of this presentation and Tables 1a, 4, 5a, 5b, 6, 7a, 7b and 8 of the May 7 press release announcing first quarter 2020 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.

Realogy's Industry Leadership in Franchise and Owned Brokerage



TECHNOLOGY &
DATA SCALE



WELL KNOWN &
ESTABLISHED BRANDS



POWERFUL
FINANCIAL ENGINE

DRIVE ORGANIC GROWTH

 | designconcierge


SPARK

 | exclusive look

AGENT X

 | listingconcierge

 SocialAdEngine

 | desk

DELIVER HIGH QUALITY LEADS

AARP

**REALOGY
MILITARY
REWARDS**

MOVE TO SIMPLIFY

 **Brand Integration**

 **Standardization**

 **Automation**

ENHANCE THE CONSUMER EXPERIENCE

 Sell.
Buy.
Exhale.

RealVitalize

LEADING WITH INTEGRITY



Financial Results Overview

	Q1 2020	Q1 2019	
Net Revenue:	\$1.1 billion	\$1.1 billion	Increased \$62 million
Operating EBITDA (continuing operations)¹:	\$37 million	\$2 million	Increased \$35 million
Operating EBITDA (including discontinued operations)¹:	\$32 million	\$(4) million	Increased \$36 million
Net Loss and Net Loss Per Share:	\$(462) million, or \$(4.03) per share	\$(99) million, or \$(0.87) per share	Largely due to a \$447 million impairment loss
Free Cash Flow (continuing operations)²:	\$(112) million	\$(115) million	Improved \$3 million
Free Cash Flow (including discontinued operations)²:	\$(155) million	\$(172) million	Improved \$17 million

¹ See Slide 14 for a reconciliation from Net Loss attributable to the Company to Operating EBITDA including discontinued operations.

² See Slide 16 for a reconciliation from Net Loss to Free Cash Flow including discontinued operations.

Note: Refer to Table 8 of the Press Release dated May 7, 2020 for the definitions of these non-GAAP financial measures and the Company's explanation of why it believes these measures are useful to investors.

Realogy COVID-19 Response

Pivot to Virtual

Leveraging our strong technology investments

- Supporting mortgage and title transactions virtually
- Supporting agents and franchisees close transactions

Operating Efficiency

Rigorous cost management

- Implemented a series of temporary cost-saving initiatives, which we expect to result in ~\$80-100 million in savings per full quarter as long as such measures remain in place

Liquidity

Proactively drew additional revolver borrowings

- Exited Q1 with \$628 million in cash and cash equivalents inclusive of regulatory cash and revolver borrowings

Capital Allocation

Prudent capital allocation policy

- Eliminated share repurchases 15 months ago and have not paid a dividend since August 2019

A photograph of a modern, two-story house with a light blue exterior and a dark grey roof. The house has large glass windows and doors, some of which are illuminated from within. The house is situated on a large, well-maintained green lawn. In the background, there is a dense line of trees and a sunset sky with soft, orange and pink clouds. A semi-transparent rectangular box is overlaid on the center of the image, containing the word "Appendix" in white text.

Appendix

Business Unit Revenue

Net Revenue (\$ in millions)	Q1 2019	Q1 2020	\$ Change
Realty Franchise Group ¹	\$ 179	\$ 168	\$ (11)
Realty Brokerage Group	816	869	53
Realty Title Group	114	137	23
Intercompany Eliminations	(55)	(58)	(3)
Total Revenue	\$ 1,054	\$ 1,116	\$ 62

^{1.} Realty Franchise Group is inclusive of the Realty Leads Group.

Business Unit Operating EBITDA

Operating EBITDA (\$ in millions)	Q1 2019	Q1 2020	\$ Change
Realty Franchise Group ¹	\$ 98	\$ 101	\$ 3
Realty Brokerage Group	(62)	(51)	11
Realty Title Group	(9)	12	21
Corporate	(25)	(25)	—
Operating EBITDA	2	37	35
Contribution from discontinued operations	(6)	(5)	1
Operating EBITDA including discontinued operations	\$ (4)	\$ 32	\$ 36

¹ Realty Franchise Group is inclusive of the Realty Leads Group.

Note: See Slide 15 for a reconciliation of Operating EBITDA and Operating EBITDA including discontinued operations to Net Loss. Refer to Table 8 of the Press Release dated May 7, 2020 for the definitions of Operating EBITDA and Operating EBITDA including discontinued operations and the Company's explanation of why it believes these non-GAAP measures are useful to investors.

Key Revenue Drivers

	Q1 2020 vs. Q1 2019	
	Amount	% Change
Realogy Franchise Group		
Closed Homesale Sides	203,188	—%
Average Homesale Price	\$322,465	8%
Average Broker Commission Rate	2.47%	(1) bps
Net Royalty per Side	\$316	4%
Realogy Brokerage Group		
Closed Homesale Sides	62,541	3%
Average Homesale Price	\$533,813	4%
Average Broker Commission Rate	2.41%	— bps
Gross Commission Income per Side	\$13,597	3%
Realogy Title Group		
Purchase Title and Closing Units	28,724	2%
Refinance Title and Closing Units	8,899	122%
Average Fee per Closing Unit	\$2,269	—%

Restructuring Costs

Restructuring (\$ in millions)	Q1 2019	Q1 2020
Personnel-related costs ¹	\$ 8	\$ 3
Facility-related costs ²	1	8
Total restructuring charges ³	\$ 9	\$ 11

^{1.} Personnel-related costs consist of severance costs provided to employees who have been terminated and duplicate payroll costs during transition.

^{2.} Facility-related costs consist of costs associated with planned facility closures such as contract termination costs, amortization of lease assets that will continue to be incurred under the contract for its remaining term without economic benefit to the Company, accelerated depreciation on asset disposals and other facility and employee relocation related costs.

^{3.} Restructuring charges for the three months ended March 31, 2020 related to the Facility and Operational Efficiencies Program. Restructuring charges for the three months ended March 31, 2019 include \$6 million related to the Facility and Operational Efficiencies Program and \$3 million related to the Leadership Realignment and Other Restructuring Activities Program.

Realogy Franchise and Brokerage Groups Operating EBITDA without Intercompany Royalty

Operating EBITDA (\$ in millions)	Q1 2019		Q1 2020		\$ Change
Realogy Franchise Group	\$	43	\$	43	\$ —
Realogy Brokerage Group		(7)		7	14
Realogy Franchise and Brokerage Groups Combined	\$	36	\$	50	\$ 14

Note: The segment numbers noted above do not reflect the impact of intercompany royalties and marketing fees paid by our Realogy Brokerage Group to our Realogy Franchise Group of \$55 million and \$58 million during the three months ended March 31, 2019 and 2020, respectively.

Capitalization Table

	Pricing	Maturity	As of March 31, 2020
Revolver	L+225 ¹	February 2023	\$ 755
Term Loan A	L+225 ¹	February 2023	712
Term Loan B	L+225 ²	February 2025	1,056
Senior Notes	5.25%	December 2021	550
Senior Notes	4.875%	June 2023	407
Senior Notes	9.375%	April 2027	550
Finance Lease Obligations			36
Corporate Debt (excluding securitizations)			\$ 4,066
Less: Cash and cash equivalents			628
Net Corporate Debt (excluding securitizations)			\$ 3,438
EBITDA as defined by the Senior Secured Credit Agreement			\$ 663
Net Debt Leverage Ratio ³			5.2 x

¹. Adjusts up or down based on the previous quarter senior secured leverage ratio as defined by the senior secured credit facilities.

². Includes 75 basis points LIBOR floor.

³. Defined as net corporate debt divided by EBITDA as defined by the senior secured credit facilities. See Table 7b of our May 7, 2020 press release for a Net Debt Leverage Ratio calculation.

GAAP Reconciliation

(\$ in millions)	For the three months ended	
	3/31/2019	3/31/2020
Net loss attributable to Realogy Holdings	\$ (99)	\$ (462)
Less: Net loss from discontinued operations	(14)	(27)
Add: Income tax benefit from continuing operations	(32)	(132)
Loss from continuing operations before income taxes	\$ (117)	\$ (567)
Add: Depreciation and amortization	41	45
Interest expense, net	63	101
Restructuring costs, net ¹	9	11
Impairments ²	1	447
Loss on the early extinguishment of debt	5	—
Operating EBITDA	2	37
Contribution from discontinued operations	(6)	(5)
Operating EBITDA including discontinued operations	\$ (4)	\$ 32

¹ Restructuring charges incurred for the three months ended March 31, 2019 include \$4 million at Realogy Brokerage Group, \$1 million at Realogy Title Group and \$4 million at Corporate and Other. Restructuring charges incurred for the three months ended March 31, 2020 include \$1 million at Realogy Franchise Group, \$9 million at Realogy Brokerage Group and \$1 million at Realogy Title Group.

² Impairments for the three months ended March 31, 2019 include \$1 million of impairment charges related to lease asset impairments. Impairments for the three months ended March 31, 2020 include a goodwill impairment charge of \$413 million which reduced the net carrying value of Realogy Brokerage Group by \$314 million after accounting for the related income tax benefit of \$99 million, an impairment charge of \$30 million which reduced the carrying value of trademarks at Realogy Franchise Group and \$4 million related to lease asset impairments.

Note: Refer to Table 8 of the Press Release dated May 7, 2020 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	
	3/31/2019	3/31/2020
Realogy Franchise Group	\$ 98	\$ 101
Realogy Brokerage Group	(62)	(51)
Realogy Title Group	(9)	12
Corporate and Other	(25)	(25)
Operating EBITDA	2	37
Contribution from discontinued operations	(6)	(5)
Operating EBITDA including discontinued operations	(4)	32
Less: Depreciation and amortization	41	45
Interest expense, net	63	101
Income tax benefit	(32)	(132)
Restructuring costs, net ¹	9	11
Impairments ²	1	447
Loss on the early extinguishment of debt	5	—
Adjustments attributable to discontinued operations	8	22
Net loss attributable to Realogy	\$ (99)	\$ (462)

^{1.} Restructuring charges incurred for the three months ended March 31, 2019 include \$4 million at Realogy Brokerage Group, \$1 million at Realogy Title Group and \$4 million at Corporate and Other. Restructuring charges incurred for the three months ended March 31, 2020 include \$1 million at Realogy Franchise Group, \$9 million at Realogy Brokerage Group and \$1 million at Realogy Title Group.

^{2.} Impairments for the three months ended March 31, 2019 include \$1 million of impairment charges related to lease asset impairments. Impairments for the three months ended March 31, 2020 include a goodwill impairment charge of \$413 million which reduced the net carrying value of Realogy Brokerage Group by \$314 million after accounting for the related income tax benefit of \$99 million, an impairment charge of \$30 million which reduced the carrying value of trademarks at Realogy Franchise Group and \$4 million related to lease asset impairments.

Note: Refer to Table 8 of the Press Release dated May 7, 2020 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	
	3/31/2019	3/31/2020
Net loss attributable to Realogy Holdings	\$ (99)	\$ (462)
Less: Net loss from discontinued operations	(14)	(27)
Net loss from continuing operations attributable to Realogy Holdings	(85)	(435)
Income tax benefit, net of payments	(33)	(132)
Interest expense, net	63	101
Cash interest payments	(37)	(18)
Depreciation and amortization	41	45
Capital expenditures	(22)	(24)
Restructuring costs and former parent legacy items, net of payments	—	1
Impairments	1	447
Loss on the early extinguishment of debt	5	—
Working capital adjustments	(48)	(97)
Free Cash Flow	(115)	(112)
Contribution from discontinued operations	(57)	(43)
Free Cash Flow including discontinued operations	\$ (172)	\$ (155)

Note: Refer to Table 6 of the Press Release dated May 7, 2020 for a reconciliation of Net Cash used in Operating Activities to Free Cash Flow and Free Cash Flow including discontinued operations.

Refer to Table 8 of the Press Release dated May 7, 2020 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.