

# Realogy

## Earnings Call Q1 2019



CENTURY 21.



COLDWELL  
BANKER  
COMMERCIAL

*corcoran*



Sotheby's  
INTERNATIONAL REALTY

CARTUS.



TRG  
Title  
Resource  
Group

RLGY  
LISTED  
NYSE

# Management Presenters



**Ryan Schneider**

Chief Executive Officer and President



**Charlotte Simonelli**

Executive Vice President, Chief Financial Officer  
& Treasurer



**Alicia Swift**

Senior Vice President, Investor Relations and  
Financial Planning & Analysis

# Important Disclosures

## **Forward-Looking Statements**

*This presentation contains forward-looking statements. The Company desires to take advantage of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Therefore, the Company wishes to caution each participant to consider carefully the specific factors discussed with each forward-looking statement in this presentation and other factors contained in the Company's filings with the Securities and Exchange Commission under the captions "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as such factors in some cases have affected, and in the future (together with other factors) could affect, the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed herein. The information contained in this presentation is as of May 2, 2019. The Company assumes no obligation to update the information or the forward-looking statements contained herein, whether as a result of new information or otherwise. RECIPIENTS ARE STRONGLY ADVISED TO READ THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION BECAUSE THEY CONTAIN IMPORTANT INFORMATION.*

## **Non-GAAP Financial Measures**

*Certain financial measures, as used in this presentation, are supplemental measures of the Company's performance that are not Generally Accepted Accounting Principles ("GAAP") measures. Refer to slides 13-15 of this presentation and Tables 1a, 4, 5a, 5b, 6, 7a, and 8 of the May 2 press release announcing first quarter 2019 financial results for the definitions of these non-GAAP financial measures, a reconciliation of these measures to their most comparable GAAP measures, and the Company's explanation of why it believes these non-GAAP measures are useful to investors.*

# Realty's Advantages in Residential Real Estate Market



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

**~16%**<sup>1</sup>  
MARKET SHARE  
IN 2018



**TECHNOLOGY AND  
DATA SCALE**

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



**WELL KNOWN AND  
ESTABLISHED  
BRANDS**



**POWERFUL  
FINANCIAL  
ENGINE**

**GENERATED \$1.3  
BILLION IN FREE  
CASH FLOW  
IN THE PAST 3 YEARS<sup>2</sup>**

**STRONG  
BALANCE SHEET**

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

<sup>2</sup> For the fiscal years ended December 31, 2016, 2017 and 2018.



# Q1 2019 Results

<b>Net Revenue:</b>	<b>\$1.1 billion</b>	Decreased \$115 million compared with Q1 2018
<b>Operating EBITDA<sup>1</sup>:</b>	<b>\$(4) million</b>	Decreased \$38 million compared with Q1 2018 due to lower transaction volume at NRT
<b>Net Loss and Net Loss Per Share:</b>	<b>\$(99) million, or \$(0.87) per share</b>	Compared with \$(67) million, or \$(0.51) per share in Q1 2018
<b>Adjusted Net Loss and Adjusted Net Loss Per Share<sup>2</sup>:</b>	<b>\$(76) million, or \$(0.67) per share</b>	Compared with \$(49) million, or \$(0.38) per share in Q1 2018
<b>Free Cash Flow<sup>3</sup>:</b>	<b>\$(172) million</b>	Compared with \$(166) million in Q1 2018

1 See Slide 13 for a reconciliation from Net Loss attributable to the Company to Operating EBITDA.

2 See Table 1a of our May 2, 2019 press release for a reconciliation from Net Loss to Adjusted Net Loss.

3 See Slide 15 for a reconciliation from Net Loss to Free Cash Flow.

Note: Refer to Table 8 of the Press Release dated May 2, 2019 for the definitions of these non-GAAP financial measures and the Company's explanation of why it believes these measures are useful to investors.

# Quarterly Business Unit Revenue

Net Revenue (\$ in millions)	Q1 2019	Q1 2018	\$ Change
RFG	\$163	\$176	\$(13)
NRT	816	917	(101)
Cartus	76	79	(3)
TRG	114	120	(6)
Intercompany Eliminations	(55)	(63)	8
<b>Total Revenue</b>	<b>\$1,114</b>	<b>\$1,229</b>	<b>\$(115)</b>

# Quarterly Business Unit Operating EBITDA

Operating EBITDA (\$ in millions)	Q1 2019	Q1 2018	\$ Change
RFG	\$90	\$105	\$(15)
NRT	(62)	(45)	(17)
Cartus	2	(1)	3
TRG	(9)	(6)	(3)
Corporate	(25)	(19)	(6)
<b>Total Operating EBITDA</b>	<b>\$(4)</b>	<b>\$34</b>	<b>\$(38)</b>

*Note: See Slide 14 for a reconciliation of Operating EBITDA to Net Loss. Refer to Table 8 of the Press Release dated May 2, 2019 for the definition of Operating EBITDA and the Company's explanation of why it believes this non-GAAP measure is useful to investors.*

# Restructuring Costs

Restructuring (\$ in millions)	Q1 2019	Q1 2018
Personnel-related costs <sup>1</sup>	\$11	\$14
Facility-related costs <sup>2</sup>	1	9
Internal use software impairment <sup>3</sup>	—	7
<b>Total restructuring charges <sup>4</sup></b>	<b>\$12</b>	<b>\$30</b>

<sup>1</sup> Personnel-related costs consist of severance costs provided to employees who have been terminated and duplicate payroll costs during transition.

<sup>2</sup> 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.

<sup>3</sup> Internal use software impairment relates to development costs capitalized for a project that was determined to not meet the Company's strategic goals when analyzed by the Company's new leadership team.

<sup>4</sup> The three months ended March 31, 2019 includes \$9 million and \$3 million of expense related to the "Facility and Operational Efficiencies Program" and "Leadership Realignment and Other Restructuring Activities Program", respectively. Restructuring charges for three months ended March 31, 2018 relate to prior restructuring programs.

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



## RFG and NRT Operating EBITDA on a Combined Basis

Operating EBITDA (\$ in millions)	Q1 2019	Q1 2018	\$ Change
RFG	\$35	\$42	\$(7)
NRT	(7)	18	(25)
<b>RFG and NRT Combined</b>	<b>\$28</b>	<b>\$60</b>	<b>\$(32)</b>

*Note: The RFG and NRT segment numbers noted above do not reflect the impact of intercompany royalties and marketing fees paid by NRT to RFG of \$55 million and \$63 million during the three months ended March 31, 2019 and 2018, respectively.*

# Key Revenue Drivers

Q1 2019 vs. Q1 2018

	Amount	% Change
<b>Realogy Franchise Group</b>		
Closed Homesale Sides	202,662	(10)%
Average Homesale Price	\$298,361	2%
Average Broker Commission Rate	2.48%	(2 bps)
Net Royalty per Side	\$303	(2)%
<b>NRT</b>		
Closed Homesale Sides	60,442	(9)%
Average Homesale Price	\$511,922	(2)%
Average Broker Commission Rate	2.41%	(4 bps)
<b>Cartus</b>		
Initiations	38,484	1%
Referrals	14,879	(4)%
<b>Title Resource Group</b>		
Purchase Title and Closing Units	28,044	(12)%
Refinance Title and Closing Units	4,011	(26)%
Average Fee per Closing Unit	\$2,267	5%

# Capitalization Table

	Pricing	Maturity	As of March 31, 2019
Revolver	L+225 <sup>1</sup>	February 2023	\$ 410
Term Loan A	L+225 <sup>1</sup>	February 2023	731
Term Loan B	L+225 <sup>2</sup>	February 2025	1,067
Senior Notes	5.25%	December 2021	550
Senior Notes	4.875%	June 2023	500
Senior Notes	9.375%	April 2027	550
Finance Lease Obligations			32
Corporate Debt (excluding securitizations)			3,840
Less: Cash and cash equivalents			243
Net Corporate Debt (excluding securitizations)			\$ 3,597
EBITDA as defined by the Senior Secured Credit Agreement			\$ 690
<b>Net Debt Leverage Ratio <sup>3</sup></b>			<b>5.2x</b>

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

<sup>2</sup> Includes 75 basis points LIBOR floor.

<sup>3</sup> Defined as net corporate debt divided by EBITDA as defined by the senior secured credit facilities. See Table 7b of our May 2, 2019 press release for a Net Debt Leverage Ratio calculation.

# GAAP Reconciliation

(\$ in millions)	For the three months ended	
	3/31/2019	3/31/2018
Net loss attributable to Realogy	\$ (99)	\$ (67)
Income tax benefit	(35)	(19)
Loss before income taxes	<b>(134)</b>	<b>(86)</b>
Add: Depreciation and amortization <sup>1</sup>	49	50
Interest expense, net	63	33
Restructuring costs, net	12	30
Lease asset impairment	1	—
Loss on the early extinguishment of debt	5	7
<b>Operating EBITDA</b>	<b>\$ (4)</b>	<b>\$ 34</b>

<sup>1</sup> Refer to Table 4 of the Press Release dated May 2, 2019 Note (a) for further explanation of depreciation and amortization.

Note: Refer to Table 8 of the Press Release dated May 2, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.

# GAAP Reconciliation

(\$ in millions)	For the three months ended	
	3/31/2019	3/31/2018
RFG	\$ 90	\$ 105
NRT	(62)	(45)
Cartus	2	(1)
TRG	(9)	(6)
Corporate and Other	(25)	(19)
<b>Operating EBITDA Total Company</b>	<b>(4)</b>	<b>34</b>
Less: Depreciation and amortization <sup>1</sup>	49	50
Interest expense, net	63	33
Income tax benefit	(35)	(19)
Restructuring costs, net <sup>2</sup>	12	30
Lease asset impairment	1	—
Loss on the early extinguishment of debt <sup>3</sup>	5	7
<b>Net loss attributable to Realogy</b>	<b>\$ (99)</b>	<b>\$ (67)</b>

<sup>1</sup> Refer to Table 4 of the Press Release dated May 2, 2019 Note (a) for further explanation of depreciation and amortization.

<sup>2</sup> Restructuring charges incurred for the three months ended March 31, 2019 include \$4 million at NRT, \$3 million at Cartus, \$1 million at TRG and \$4 million at Corporate and Other. Restructuring charges incurred for the three months ended March 31, 2018 include \$2 million at RFG, \$17 million at NRT, \$8 million at Cartus, \$1 million at TRG and \$2 million at Corporate and Other.

<sup>3</sup> Loss on the early extinguishment of debt is recorded in the Corporate and Other segment.

Note: Refer to Table 8 of the Press Release dated May 2, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.



# GAAP Reconciliation

(\$ in millions)	For the three months ended	
	3/31/2019	3/31/2018
Net loss attributable to Realogy	\$ (99)	\$ (67)
Income tax benefit, net of payments	(36)	(23)
Interest expense, net	63	33
Cash interest payments	(40)	(21)
Depreciation and amortization	49	48
Capital expenditures	(24)	(25)
Restructuring costs and former parent legacy items, net of payments	—	19
Lease asset impairment	1	—
Loss on the early extinguishment of debt	5	7
Working capital adjustments	(54)	(99)
Relocation receivables (assets), net of securitization obligations	(37)	(38)
<b>Free Cash Flow</b>	<b>\$ (172)</b>	<b>\$ (166)</b>

*Note: Refer to Table 6 of the Press Release dated May 2, 2019 for a reconciliation of Net Cash Used in Operating Activities to Free Cash Flow.*

*Note: Refer to Table 8 of the Press Release dated May 2, 2019 for the definitions of certain non-GAAP financial measures and the Company's explanation of why it believes those non-GAAP measures are useful to investors.*