

Realogy

Earnings Call Q3 2020



CENTURY 21



corcoran



Sotheby's
INTERNATIONAL REALTY

RLGY
LISTED
NYSE

Management Presenters



Ryan Schneider

Chief Executive Officer and President



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Executive Vice President, Chief Financial Officer
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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 October 29, 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 17-19 of this presentation and Tables 1a, 5a, 5b, 6a, 6b, 7, 8a, 8b and 9 of the October 29th press release announcing third 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.

Realty's Industry Leadership in Franchise and Owned Brokerage



TECHNOLOGY &
DATA SCALE



WELL KNOWN &
ESTABLISHED BRANDS



POWERFUL
FINANCIAL ENGINE

DRIVE ORGANIC GROWTH

 DESIGN CONCIERGE

SPARK

 EXCLUSIVE LOOK

 LISTING CONCIERGE

 SocialAdEngine


 DESK

DELIVER HIGH QUALITY LEADS

 AARP[®]

 REALTY
MILITARY
REWARDS

MOVE TO SIMPLIFY

 Brand Integration

 Standardization

 Automation

ENHANCE THE CONSUMER EXPERIENCE

 real
sure

Sell.
Buy.
Exhale.

 REALVITALIZE[™]

EXPANDED VIRTUAL PRODUCTS

Virtual product suite across all stages of the real estate transaction including **virtual staging, open houses, tours, title, and mortgage.**

LEADING WITH INTEGRITY



Realty Third Quarter 2020 Highlights

- 1 Strong combined transaction volume growth, +28% year-over-year
- 2 Market share gain in the third quarter
- 3 Operating EBITDA of \$309 million, with \$95 million from mortgage and title
- 4 Annualized 2020 cost savings of \$80 million - \$60 million realized YTD Sept 2020
- 5 Free cash flow of \$344 million and \$276 million net debt reduction year-over-year
- 6 Brokerage agent growth of 2% year-over-year and continued improving retention
- 7 Powerful franchise brands – strong Sotheby's International Realty growth and Corcoran franchise expansion

Financial Results Overview

	Q3 2020	vs. Prior Year
Net Revenue:	\$1.9 billion	Increased \$307 million
Operating EBITDA (continuing operations) ¹ :	\$309 million	Increased \$103 million
Operating EBITDA including discontinued operations ¹ :	\$313 million	Increased \$90 million
Net Income and Earnings Per Share (continuing operations):	\$145 million, or \$1.25 per share	Increased \$265 million or \$2.31 per share
Net Income attributable to Realogy and Earnings Per Share including discontinued operations:	\$98 million, or \$0.85 per share	Increased \$211 million or \$1.84 per share
Free Cash Flow (continuing operations) ² :	\$344 million	Increased \$228 million
Free Cash Flow including discontinued operations ² :	\$395 million	Increased \$221 million

¹ See Slide 17 for a reconciliation from Net income (loss) attributable to the Company to Operating EBITDA and Operating EBITDA including discontinued operations.

² See Slide 19 for a reconciliation from Net income (loss) attributable to the Company to Free Cash Flow and Free Cash Flow including discontinued operations.

Note: Refer to Table 9 of the Press Release dated October 29, 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.

Q3 Monthly Transaction Volume Trend

- Open Transaction Volume is adjusted so that the comparable periods have the same number of business days.
- Closed Transaction Volume is based on the actual number of business days in the period presented, without adjustment.
- Total Third Quarter Transaction Volume required no adjustment as Q3 2020 & 2019 had the same number of business days.

	Closed Transaction Volume ⁽¹⁾	Open Transaction Volume ⁽²⁾
Realty Franchise Group & Realty Brokerage Group – Combined		
Total Third Quarter	28%	43%
September 2020 vs 2019	50%	49%
August 2020 vs 2019	22%	43%
July 2020 vs 2019	15%	38%
Realty Franchise Group ⁽³⁾		
Total Third Quarter	31%	45%
September 2020 vs 2019	54%	55%
August 2020 vs 2019	25%	44%
July 2020 vs 2019	17%	39%
Realty Brokerage Group		
Total Third Quarter	22%	39%
September 2020 vs 2019	41%	41%
August 2020 vs 2019	16%	41%
July 2020 vs 2019	12%	36%

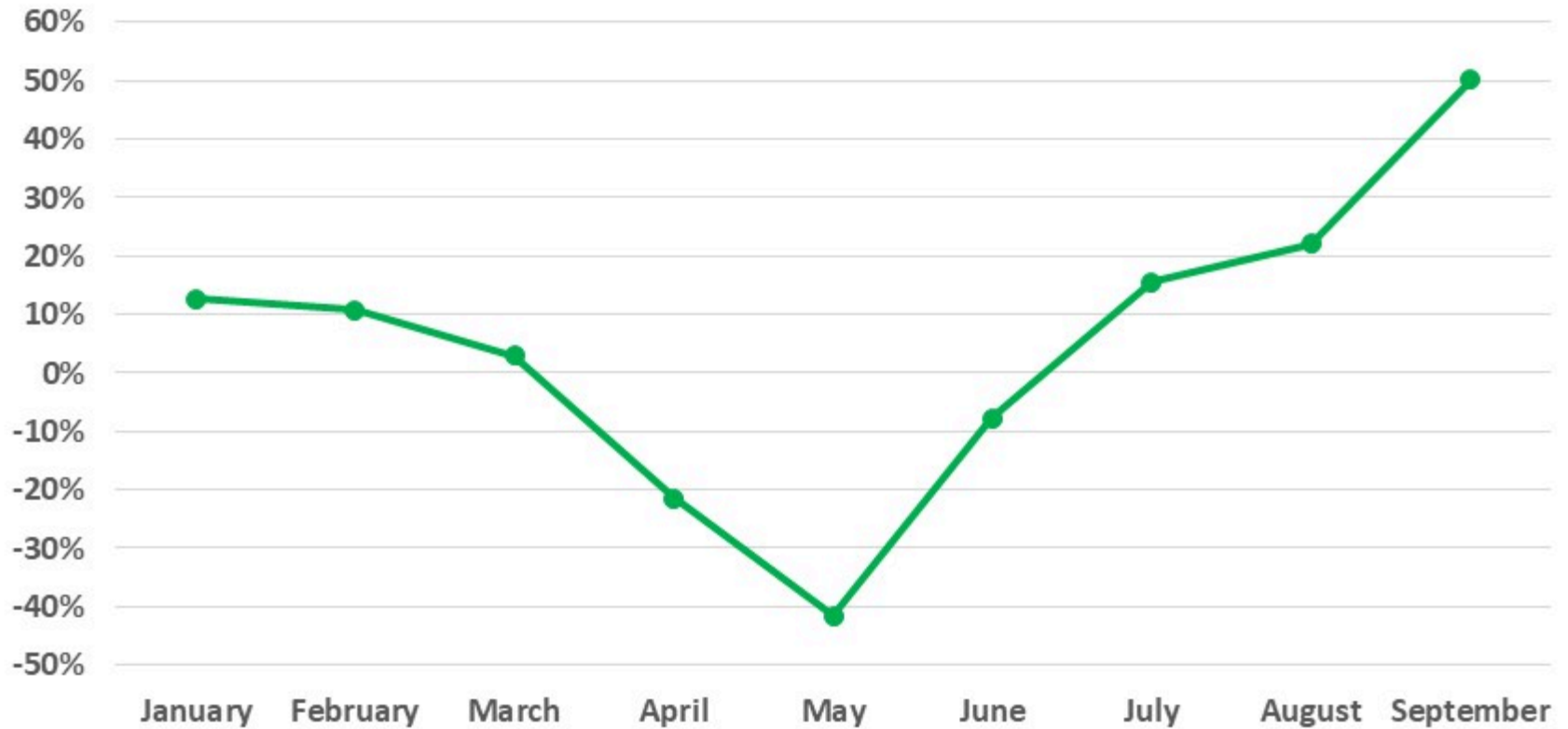
⁽¹⁾ August 2020 had one less business day as August 2019, while September 2020 had one more business days than September 2019. July 2020 had the same number of business days as July 2019. We have not adjusted the closed homesale transaction volume data presented herein to reflect an equal number of business days.

⁽²⁾ The open transaction volume data presented has been adjusted so that each month has the same number of business days as the comparable month in the prior fiscal year. For open transaction volume, we believe a same business day comparison is more representative as a forward-looking indicator. The time to close a homesale transaction can vary widely, from days to months, but under normal market conditions, we estimate based on our data that once a contract is signed (and becomes an open transaction), it takes on average 45 to 55 days to close (and become a closed transaction), excluding contracts that terminate prior to closing.

⁽³⁾ Includes all franchisees except for Realty Brokerage Group.

Monthly Transaction Volume Trend

Realty Transaction Volume



Realty Q3 2020 vs. 2019 Transaction Volume

Realty Transaction Volume

Closed Homesale Sides	12%
Average Homesale Price	14%
Homesale Transaction Volume (sides x price)	28%

Realty Franchise Group

Closed Homesale Sides	12%
Average Homesale Price	17%
Homesale Transaction Volume (sides x price)	31%

Realty Brokerage Group

Closed Homesale Sides	10%
Average Homesale Price	11%
Homesale Transaction Volume (sides x price)	22%

A photograph of a modern building with a large glass facade and a green lawn at sunset. The building has a dark roof with several skylights. The lawn is well-maintained and features several small trees and shrubs. The sky is filled with soft, colorful clouds, and the overall atmosphere is serene and peaceful.

Appendix

Business Unit Revenue

Net Revenue (\$ in millions)	Q3 2019	Q3 2020	\$ Change
Realty Franchise Group ¹	\$ 240	\$ 262	\$ 22
Realty Brokerage Group	1,222	1,479	257
Realty Title Group	170	213	43
Intercompany Eliminations	(82)	(97)	(15)
Total Revenue	\$ 1,550	\$ 1,857	\$ 307

¹ Realty Franchise Group is inclusive of Realty Leads Group.

Business Unit Operating EBITDA

Operating EBITDA (\$ in millions)	Q3 2019	Q3 2020	\$ Change
Realty Franchise Group ¹	\$ 170	\$ 196	\$ 26
Realty Brokerage Group	31	61	30
Realty Title Group	31	95	64
Corporate	(26)	(43)	(17)
Operating EBITDA	206	309	103
Contribution from discontinued operations	17	4	(13)
Operating EBITDA including discontinued operations	\$ 223	\$ 313	\$ 90

¹ Realty Franchise Group is inclusive of Realty Leads Group.

Note: See Slide 18 for a reconciliation of Operating EBITDA and Operating EBITDA including discontinued operations to Net income (loss) attributable to the Company. Refer to Table 9 of the Press Release dated October 29, 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

	Q3 2020 vs. Q3 2019	
	Amount	% Change
Realty Franchise Group		
Closed Homesale Sides	336,737	12%
Average Homesale Price	\$367,095	17%
Average Broker Commission Rate	2.48%	1 bps
Net Royalty per Side	\$367	12%
Realty Brokerage Group		
Closed Homesale Sides	101,890	10%
Average Homesale Price	\$563,513	11%
Average Broker Commission Rate	2.44%	3 bps
Gross Commission Income per Side	\$14,315	10%
Realty Title Group		
Purchase Title and Closing Units	45,788	10%
Refinance Title and Closing Units	18,387	129%
Average Fee per Closing Unit	\$2,239	(2)%

Restructuring Costs

Restructuring (\$ in millions)	Q3 2019	Q3 2020
Personnel-related costs ¹	\$ 4	\$ 3
Facility-related costs ²	6	10
Other restructuring charges ³	1	—
Total restructuring charges ⁴	\$ 11	\$ 13

^{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.} Other restructuring costs consist of costs related to professional fees, consulting fees and other costs associated with restructuring activities which are primarily included in the Corporate and Other business segment.

^{4.} Restructuring charges for the three months ended September 30, 2019 include \$10 million related to the Facility and Operational Efficiencies Program and \$1 million related to prior restructuring programs. Restructuring charges for the three months ended September 30, 2020 relate to the Facility and Operational Efficiencies Program.

Realty Franchise and Brokerage Groups Operating EBITDA without Intercompany Royalty

Operating EBITDA (\$ in millions)	Q3 2019		Q3 2020		\$ Change
Realty Franchise Group	\$	88	\$	99	\$ 11
Realty Brokerage Group		113		158	45
Realty Franchise and Brokerage Groups Combined	\$	201	\$	257	\$ 56

Note: The segment numbers noted above do not reflect the impact of intercompany royalties and marketing fees paid by Realty Brokerage Group to Realty Franchise Group of \$82 million and \$97 million during the three months ended September 30, 2019 and 2020, respectively.

Capitalization Table

	Pricing	Maturity	As of September 30, 2020
Revolver	L+225 ¹	February 2023	140
Term Loan A	L+225 ¹	February 2023	694
Term Loan B	L+225 ²	February 2025	1,050
Senior Secured Second Lien Notes	7.625%	June 2025	550
Senior Notes	4.875%	June 2023	407
Senior Notes	9.375%	April 2027	550
Finance Lease Obligations			33
Corporate Debt (excluding securitizations)			\$ 3,424
Less: Cash and cash equivalents			379
Net Corporate Debt (excluding securitizations)			\$ 3,045
EBITDA as defined by the Senior Secured Credit Agreement			\$ 721
Net Debt Leverage Ratio ³			4.2 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 8b of our October 29, 2020 press release for a Net Debt Leverage Ratio calculation.

GAAP Reconciliation

(\$ in millions)	For the three months ended	
	9/30/2019	9/30/2020
Net (loss) income attributable to Realogy Holdings	\$ (113)	\$ 98
Less: Net income (loss) from discontinued operations	8	(46)
Add: Income tax (benefit) expense from continuing operations	(23)	54
(Loss) income from continuing operations attributable to Realogy Holdings before income taxes	\$ (144)	\$ 198
Add: Depreciation and amortization	42	43
Interest expense, net	66	48
Restructuring costs, net ¹	11	13
Impairments ²	240	6
Former parent legacy cost, net	1	1
Gain on the early extinguishment of debt	(10)	—
Operating EBITDA	206	309
Contribution to Operating EBITDA from discontinued operations	17	4
Operating EBITDA including discontinued operations	\$ 223	\$ 313

¹ Restructuring charges incurred for the three months ended September 30, 2019 include \$2 million at Realogy Franchise Group, \$8 million at Realogy Brokerage Group and \$1 million at Corporate and Other. Restructuring charges incurred for the three months ended September 30, 2020 include \$11 million at Realogy Brokerage Group and \$2 million at Corporate and Other.

² Impairments for the three months ended September 30, 2019 include a goodwill impairment charge of \$237 million (which reduced the net carrying value of Realogy Brokerage Group by \$180 million after accounting for the related income tax benefit of \$57 million) and \$3 million related to lease asset impairments. Impairments for the three months ended September 30, 2020 relate to lease asset impairments.

Note: Refer to Table 9 of the Press Release dated October 29, 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	
	9/30/2019	9/30/2020
Realogy Franchise Group	\$ 170	\$ 196
Realogy Brokerage Group	31	61
Realogy Title Group	31	95
Corporate and Other	(26)	(43)
Operating EBITDA	206	309
Contribution from discontinued operations	17	4
Operating EBITDA including discontinued operations	223	313
Less: Depreciation and amortization	42	43
Interest expense, net	66	48
Income tax (benefit) expense	(23)	54
Restructuring costs, net ¹	11	13
Impairments ²	240	6
Former parent legacy cost, net	1	1
Gain on the early extinguishment of debt	(10)	—
Adjustments attributable to discontinued operations	9	50
Net (loss) income attributable to Realogy	\$ (113)	\$ 98

¹. Restructuring charges incurred for the three months ended September 30, 2019 include \$2 million at Realogy Franchise Group, \$8 million at Realogy Brokerage Group and \$1 million at Corporate and Other. Restructuring charges incurred for the three months ended September 30, 2020 include \$11 million at Realogy Brokerage Group and \$2 million at Corporate and Other.

². Impairments for the three months ended September 30, 2019 include a goodwill impairment charge of \$237 million (which reduced the net carrying value of Realogy Brokerage Group by \$180 million after accounting for the related income tax benefit of \$57 million) and \$3 million related to lease asset impairments. Impairments for the three months ended September 30, 2020 relate to lease asset impairments.

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GAAP Reconciliation

(\$ in millions)	For the three months ended	
	9/30/2019	9/30/2020
Net (loss) income attributable to Realogy Holdings	\$ (113)	\$ 98
Less: Net income (loss) from discontinued operations	8	(46)
Net (loss) income from continuing operations attributable to Realogy Holdings	(121)	144
Income tax (benefit) expense, net of payments	(24)	63
Interest expense, net	66	48
Cash interest payments	(29)	(26)
Depreciation and amortization	42	43
Capital expenditures	(21)	(19)
Restructuring costs and former parent legacy items, net of payments	2	7
Impairments	240	6
Gain on the early extinguishment of debt	(10)	—
Working capital adjustments	(29)	78
Free Cash Flow	116	344
Contribution from discontinued operations	58	51
Free Cash Flow including discontinued operations	\$ 174	\$ 395

Note: Refer to Table 7 of the Press Release dated October 29, 2020 for a reconciliation of net cash provided by operating activities to Free Cash Flow and Free Cash Flow including discontinued operations.

Refer to Table 9 of the Press Release dated October 29, 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.