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PRESENTATION

Operator

Good morning and welcome to the Realogy Holdings Corporation's third quarter 2012 earnings conference call and webcast. Today's call is being recorded, and a written transcript will be made available in the investor information section of the Company's website later today. A webcast replay will also be made available on the Company's website until November 16th. (Operator instructions). At this time I would like to turn the conference over to Realogy Senior Vice President, Alicia Swift. Please go ahead, Alicia.

Alicia Swift - *Realogy Holdings Corp - SVP, IR and Financial Planning and Analysis*

Thank you, Paulie. Good morning and welcome to Realogy's third quarter 2012 earnings conference call. On the call with me today are Realogy's Chairman and CEO, Richard Smith, and Chief Financial Officer, Tony Hull.

I would like to call your attention to three items. First, you should have access to a copy of our financial results press release and our form 10-Q for the quarter ended September 30, 2012, which we have filed with the Securities and Exchange Commission. Both documents are available on the investor information section of our website as well as a copy of today's webcast slides.

Second, the Company will be making statements about its future results and other forward-looking statements during this call. Statements about future results made during this call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations in the current economic environment. 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. The Company cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements.

For those who listen to the re-broadcast of this presentation, we remind you that the remarks are made in -- or as of today, November 2nd, and have not been updated subsequent to the initial earnings call. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements and projections are set forth under the headings forward-looking statements, risk factors, and management's discussion and analysis of the financial condition and results of operations in our filings with the Securities and Exchange Commission, including our financial perspectives filed with the SEC on October 11, 2012, our annual report on Form 10-K for the year ended December 31, 2011, as amended, and our quarterly reports on Form 10-Q for the quarters ended June 30, 2012, as amended, and September 30, 2012, and in other periodic reports filed from time to time.

Third, we will be referring to certain non-GAAP financial measures during the call. Our press release contains definitions of these terms, a reconciliation of these terms to their most comparable GAAP measure, and a discussion of why we believe these non-GAAP financial measures are useful to our investors.

For those unfamiliar with industry data, we use the National Association of Realtors and Fannie Mae as benchmarks of the direction of the residential housing market. We believe changes in Realogy's home sales statistics will continue to vary from those reported by NAR because they use survey data as the basis of their historical reports where we use data based on our actual reported results.

Let me briefly review the headlines from our release issued yesterday afternoon regarding Realogy's third quarter 2012 results. Specifically for the quarter ended September 30, 2012, we reported revenue of $1.3 billion, an 11% year-over-year increase, EBITDA of $213 million, a 14% increase from third quarter 2011, net loss attributable to the Company of the $34 million, which is largely due to $187 million of interest expense and $42 million of depreciation and amortization.

Now I will turn the call over to our Chairman and CEO, Richard Smith.

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Thank you, Alicia. Good morning and thank you for joining our call as we report our third quarter performance as well as our performance for the first nine months of this year. Before we get started, a hurricane update is in order. Our Parsippany, New Jersey headquarters is without primary power, but otherwise undamaged and operating under backup power, and we're informed power will be restored in the very near future.

Cartus, headquarter in Danbury, Connecticut, is fully operational as is Title Resource Group, TRG, which is headquartered in Mount Laurel, New Jersey. And out of the 718 NRT brokerage offices, only 60 were located in the path of the storm generally and are without power but otherwise undamaged. They'll be fully operational as soon as their respective municipalities restore power. The majority of the affected NRT or company-owned offices are not in the New Jersey or New York coastal communities where much of the hurricane damage occurred. And early reports from our franchise offices in the affected areas are similar to the reports from our NRT offices, power loss but little to no damage.

As Tony will point out in his comments, we expect the financial impact of the storm to be short term, mostly timing related, and ultimately not material. We extend our prayers and best wishes to those affected by the hurricane.

Let me begin by acknowledging that this is a momentous occasion for Realogy as we report for the first time following our October IPO, which year-to-date was the third largest IPO in the United States. We began positioning our Company for a possible initial public offering in part with our refinancing transaction in early 2011 and the issuance of convertible debt, which combined with extending a number of our maturities by several years laid a strong foundation for our IPO and our stated objective of deleveraging the balance sheet.

Simultaneous with the IPO, $1.9 billion of convertible debt converted into equity. Further with the sale of 46 million shares and proceeds of approximately $1.2 billion, we are paying down a considerable amount of debt. Most notably we used a portion of the net proceeds to pre-pay all of our outstanding 13.5%, $650 million second-lien term loans that were scheduled to mature in October of 2017. And as Tony will discuss, with the remaining IPO proceeds, we will continue to pay down debt, effectively reducing our debt by $2.9 billion, a 40% reduction from our September 30, 2012 levels.

Effectively, Realogy's annualized interest expense will decline by approximately $338 million, which includes the convertible notes annualized interest expense of $232 million. In aggregate this represents the elimination of approximately one half of our interest expense. Although we do not have any significant debt maturities until 2016, our primary balance sheet objective is to continue to reduce debt.

Now as to the housing market. First and foremost, the early stage housing market recovery that we referenced in the first two quarters of the year continued into the third quarter. Once again we experienced strong year-over-year gains in home sale units and average home sale price as the housing market continued its recovery. Our revenue and reported EBITDA were strong in the third quarter. Revenue was up 11% to $1.3 billion compared to the same period of last year, and EBITDA increased 14% to $213 million for the quarter. Our EBITDA for the first three quarters of this year was greater than our EBITDA for the full year of 2011. Adjusted EBITDA for the first nine months of 2012 was $502 million, up 10% over the same period in 2011.

During the third quarter of this year, Realogy's company-wide transaction volume, that is average home sale price times the number of home sale transaction sides, increased 14% compared to the third quarter of last year. Our performance is in line with the National Association of Realtors, which reported that third quarter national existing home sale transaction volume increased 16% on a national basis compared to the third quarter of last year.

Now let's review the operating highlights for each of our business units, and in doing that, I'll take you to slide five in the schedule. For the quarter the Realogy franchise group, which manages our franchise brands, generated new franchise sales totaling $40 million in gross commission income, or GCI, and its forecasted 2012 sales are expected to be in range of $200 million to $250 million in GCI.

With respect to international franchise sales growth for the quarter, Coldwell Banker signed a new master franchise agreement for Spain, and Sotheby's International Realty signed a long-term franchise agreement to develop offices in Australia. Century 21 announced the renewal of its long-term master franchise agreement in France. Century 21 France began operating in 1987 and today has grown to approximately 870 offices and 6,000 sales professionals. Also during the third quarter, Sotheby International Realty strengthened its luxury market presence in the Caribbean and Europe with the opening with the opening of offices in Puerto Rico and Lithuania, and Coldwell Banker opened its first offices in Brazil.

Website traffic for all of our brands is up materially year-over-year, and our franchisee receivables, or day sales outstanding are at 16 days, a strong indication as to the improving financial condition of our franchisees. And our franchisee retention rate continues to be about 97%.

NRT, which operates our Company-owned offices, reported a strong operating quarter for the 12-month period ending with the third quarter. Management recruited new sales associates representing more than $69 million in annualized gross commission income and retained approximately 94% of the production of its first and second quartile sales associated, the top producing segments of its 41,800 independent sales associates.

NRT management continues to have active conversations with regional brokerage companies regarding potential acquisitions while continuing to tuck in smaller real estate companies into its existing brokerage footprint. Year-to-date NRT has acquired approximately $14.5 million of GCI.

Moving onto slide six, during the third quarter, initiations at Cartus, our employee relocation company, increased 3% over the prior year while its broker referrals were up 8% year-over-year. Through the first nine months of the year, Cartus initiations were up 5% and broker referrals were up 9%. Cartus signed 29 new clients in the third quarter and expanded services with 106 of its existing clients. Year-to-date Cartus has added 93 new clients and expanded services with nearly 300 clients.

In our settlement services segment, Title Resource Group's refinance title and closing units were up 70% during the third quarter bolstered by the expansion of existing client relationships and the continued historically low mortgage rate environment. Purchase title and closing units were up 11%, which tracks the NRT home sale units for the quarter. The strong gains were partially offset by a 5% decrease in its average fee per closing unit reflecting the shift to refinance units, which were about half the price of a purchase unit.

For the first nine months of 2012, TRG's refinance units were up 53% and purchase units were up 11%, which again were modestly offset by a 6% decline in its average price per closing unit. TRG's underwriter, Title Resources Guaranty Company, reported a 27% increase in net premiums as compared to the third quarter of last year. RTGC's underwriting claims experience for the third quarter was approximately 1.3%, which continues to outperform the industry average loss ratio of approximately 7%.

Now let's look at the current operating environment. NAR reported in October that the inventory of existing homes for sale through the end of September was 2.3 million, which has trended down from a record 4 million homes in July 2007, and is 20% below last September's inventory levels. The September 2012 inventory level represents a 5.9 months' supply at the current sales pace. In our view, inventory levels will likely remain low until the 2013 spring selling season.

The NAR existing home sales report issued in mid-October indicated that September home sales were up 11% year-over-year from September of last. And in addition, the national average sales price was up 9% on a year-over-year basis unadjusted for seasonality. In our view, the continued growth in the national average sales price strongly supports the forecasted recovery. When inventory levels decline, demand outstrips supply, and prices rise in response. More sellers realize that they can get their asking price move back into the market as sellers.

Shadow inventory is the phrase used by the industry to identify homes in various stages of default but not yet available to the market as listed inventory. While we continue to monitor the impact of shadow inventory on prices, we do not believe that it will have a significant impact on our business. As the size of the shadow inventory has declined to 2008 levels, the majority of which is concentrated in select markets. Should the shadow inventory be released more quickly, we believe the potential increase in unit sales could offset in whole or in part the potential adverse impact on home prices in those regions.

In its October 2012 report, Core Logic, a leading provider of housing data, reported that completed foreclosures in September were down 50% nationally since the peak in December of 2010 and 22% less in the beginning of this year.

According to the National Associations of Realtors, the percentage of distressed properties declined to 24% of sales in September of this year, down from 30% of sales in September of last year. Lending institutions holding distressed mortgages have increasingly shifted from foreclosures to short sales, which are less disruptive to the market. In fact, NAR reported that foreclosures accounted for approximately 13 percentage points of the aggregate 24% of distressed property sales in September with short sales comprising the other 11 percentage points.

Realogy does not provide full-year guidance, but a number of well-established forecasts are readily available. NAR, the National Association of Realtors, is forecasting a 16% increase for 2012 on a combined sales volume basis, that is transaction sides times median price, followed by a 14% volume increase in 2013. And the breakdown is generally as follows. On a full-year basis in 2012, NAR anticipates a 9% year-over-year increase in existing home sale units and a 6% increase in median home sale price. The NAR 2013 forecast calls for a 9% increase in existing home sales to 5.05 million units compared to 4.64 million in 2012. And NAR's 2013 forecast calls for a 5% increase in median existing home price.

Fannie Mae, which is historically better at forecasting down cycles than up cycles, is currently forecasting a 14% year-over-year gain on a combined sales volume basis in 2012 by virtue of an 8% increase in home sales and a 5% increase in the median home sale price. For 2013, Fannie Mae is forecasting a 4% increase in combined sales volume comprised of a 3% increase in units and a 1% improvement in median sales price versus 2012.

Other positive housing market trends include Freddie Mac's primary mortgage market survey showed mortgage rates averaging 3.39% as of November 1st, just above the all-time record of 3.36%. Last year at this time, the 30-year fixed rate mortgage averaged 4%.

The NAR Monthly Housing Affordability Index for August of this year was 185 and has remained at or above 180 for the past 14 months. At current levels, the Affordability Index means that the average family has 185% of the income necessary to purchase a home at the median sales price of $188,700 with a 20% down payment.

Core Logic estimate in its second quarter report released in September that when home prices rise by 9%, approximately 3.2 million homes will move back into positive equity. This represents 30% of the 10.8 million mortgages currently in negative equity. On October 2nd, Core Logic also released its Home Price Index in which it reported that home prices nationwide rose 5% in August of this year compared to August of last year. This marks the sixth consecutive increase in home prices nationally on both a year-over-year and month-over-month basis. Core Logic's data shows that all but six states are experiencing price gains. This drops to all but three states when distressed sales are excluded from the analysis.

In addition, the Core Logic pending home price indicates that September 2012 home prices, including distressed sales, are expected to rise by 6% on a year-over-year basis from September of last year excluding distressed sales and increased by 5% overall when including distressed sales.

And less than two weeks ago the US Commerce Department announced that September housing starts increased 15% from August, and housing permits were up 12%. This is good news for the homebuilders along with the entire housing industry. Furthermore, these strong gains in housing starts and permits offer yet again another signal that the housing recovery is underway. With that as a backdrop, it's not surprising that in October the homebuilders' confidence index rose for the sixth consecutive month and is at its highest level since June 2006. For these and many other reasons, we believe that in spite of approximately an 8% unemployment and 2% GDP growth, the data is increasingly clear that the housing market is in the early stages of a recovery.

And before I conclude my comments, last, but certainly not least, we are very pleased to announce that Michael Williams, former Chief Executive Officer of Fannie Mae from 2009 to 2012, has joined our Board as an independent director, actually effective as of yesterday. Mike's more than 21 years in the housing industry, his expert knowledge of the mortgage finance industry, and his very practical regulatory experience will add substantial value to the knowledge of the Board. We intend to add a third independent director to our Board in the very near future.

And with that I'll turn this over to Tony. Tony?

Tony Hull - *Realogy Holdings Corp - CFO*

Thank you, Richard. Before I discuss the results for the third quarter and the nine months of 2012 in detail, I have a few brief comments on Realogy's IPO sources and uses, which are shown on slide eight.

As you can see, we raised $1.242 billion in the IPO. With those proceeds and other IPO-related transactions, by the middle of November we will reduce our corporate debt level by about 40% or $2.9 billion. Just after the IPO we repaid $650 million dollar of 13.5% second-lien debt plus accrued interest and $50 million of LC-backed other indebtedness. We also sent out redemption notices for $64 million of 10.5% bonds and $41 million of 11% bonds. This debt will be redeemed on November 16th for $109 million, as shown on the slide. This slide also details the fees and expenses related to the offering and the payment to the significant holders of convertible debt that was made as part of the IPO in lieu of accrued and unpaid interest on their notes.

After these payments and redemptions, cash and cash equivalents will increase by $220 million as shown on the bottom of the slide. Currently all but $116 million of our $2.1 billion of 11% converts have converted into equity and we will know whether we will redeem any remaining at 90% of par in the next two weeks or if they too will convert into equity. In any event, all convertible debt will be eliminated by mid-November. To the extent any of the converts are redeemed, it will reduce the cash and cash equivalents line.

Realogy pro forma annual interest expense will be cut by approximately 48% or $338 million on a 930 LTM basis with an average cost of debt of about 7.5% after the anticipated debt pay downs. In addition to these repayments, we intend to redeem the $190 million of 12-3/8% notes par in the second quarter of 2013 as well as $10 million or 13-3/8% extended maturity notes.

We will continue to annualize and optimize our capital structure using much of our free cash flow to retire debt with the ultimate goal of becoming investment grade as quickly as possible.

Total shares outstanding will be 144.8 million on a primary basis assuming all convert note holders convert. We will update you on that number as soon as we get the results of the convert redemption process.

Turning to slide nine, Realogy's Q3 EBITDA was $213 million, a $26 million increase from Q3 2011 results. Year-to-date EBITDA was $446 million, an $83 million or 23% increase from 2011 results. The main driver of the EBITDA increase was that combined sides and price of NRT and RFG increased 12% on a company-wide basis during that period. Applying our EBITDA sensitivity of one percentage point change in sides or price equaling $11 million of EBITDA on a full-year basis or approximately $8.25 million on a nine month basis, we would expect to see a $99 million year-over-year EBITDA improvement attributable to the sides and price increase alone if all else remains constant.

There are two items that were not constant, however, in the year-to-date results. First, we recorded both a previously instituted retention plan charge of $26 million as well as the normal annual 2012 bonus plan in the first nine months of the year. Realogy did not have annual bonus plans in 2010 or 2011, but implemented a retention plan in November 2010, which was expensed through September 2012. The last payment under that plan was paid in the beginning of October, and the charge for this retention plan will not recur in 2013.

Second, RFG incurred a non-recurring legal expense of $11 million due to the settlement of a legal matter and related legal expenses. The $99 million expected improvement should be adjusted for these expense items offset by net gains of $21 million across the rest of the businesses. This results in the reported EBITDA increase of $83 million for the nine months. Year-to-date adjusted EBITDA was $502 million. That's for the first nine months of 2012, and that's after the $11 million expense incurred to defend and settle litigation referred to earlier.

Slide ten shows revenue for the third quarter of 2012. The breakdown by category of the $1.3 billion of total net revenue was as follows. Overall revenue was up 11% from Q3 2011. Gross commission totaled $939 million for NRT, an increase of 13% from third quarter 2011. Service revenues, principally from Cartus and Title Resource Group, increased to $231 million, up 9% from 2011, and Realogy Franchise Group's third-party franchise fees increased $3 million to $76 million for the quarter.

Other revenue decreased $5 million to $35 million. Lower NRT REO fees, RFG marketing, and RFG international revenues were the largest components of this revenue decline. The decline in REO fees was driven by reduced inventory being made available by our client or by REO clients. FRG marketing revenue is collected from our franchisees, and an equal amount is spent during the year on national advertising campaigns, so it is EBITDA neutral.

On slide eleven we compare expenses during the third quarter of '12 versus 2011. Total commission and other related costs was $633 million, increased $86 million or 16% year-over-year corresponding to the $108 million increase in gross commission income. The commission expense is exclusively an NRT variable cost, which is paid to our 41,800 independent sales associates.

Operating expenses of $336 million increased 4% year-over-year primarily due to greater TRG refinance activity. Marketing costs decreased by $1 million. General and administrative costs increased $12 million primarily due to the incremental compensation expense discussed above.

Slide twelve shows revenue for the nine months of 2012. The breakdown by category of the $3.5 billion of total net revenue was as follows. Overall year-to-date revenue was up 9% versus 2011. Gross commission income totaled $2.5 billion at NRT, an increase of 11% from the first nine months of 2011. Service revenues increased to $611 million, up 8% from 2011. And Realogy Franchise Group's third-party franchise fees increased $12 million to $206 million for the first nine months.

On slide 13 we compare expenses during the first nine months of 2012 versus 2011. Total commission and other related costs of $1.7 billion increased $199 million or 13% year-over-year. Operating expenses of $979 million increased 2% year-over-year primarily due to greater refinance activity at TRG. Marketing costs increased by $5 million due to greater national advertising spend, which is primarily funded by franchisees as well as greater NRT marketing expense due to increased transaction volume. General and administrative costs increased $41 million primarily due to the incremental compensation expense discussed above.

Next I will discuss our key revenue drivers from slide 14. In Q3 2012 RFG home sale sides increased 5% year-over-year and average home sale price increase 9% to approximately $219,000. RFG's overall volume increase was adversely impacted by one less business day in Q3 in 2012 compared to Q3 of 2011. Each business day change can increase or decrease year-over-year home sale sides by about two percentage points in a quarter assuming all else remains equal.

Compared to NAR, RFG's transaction volume, or sides times price, increase of 14% came within 2% of NAR's increase of 16% in the quarter. We believe the difference is primarily due to the fact that NAR reports survey data while we report on actual closed home sale sides based on our national footprint.

NRT home sale sides increased 12% year-over-year in Q3 compared to 2011 and average home sale price increased 2% to approximately $442,000. Again, the loss of a business day in the most recent quarter impacted sides growth at NRT by about two percentage points.

Overall we believe that the combined Realogy average sale price increases of 7% in the quarter was driven by lower levels of home inventory in many markets, greater overall demand then we saw last year, and fewer distressed sales. The percentage of distressed sales decreased from approximately 30% in Q3 2011 to 23% in Q3 2012 according to NAR data.

Moving from an overall perspective, here's a look at select regional NRT performance data for the three months ended September 30, 2012, compared to the same period in 2011. NRT's best performing region was again the Midwest in Q3, which had a 20% increase in home sale sides along with an average price increase of 4%. In particular, Chicago performed well with a 28% increase in home sale sides offset by an average price decrease of 1%.

New England region sides increased 13% and average price was up 1%. The New York Tri-State area experienced the most pricing pressure with an average price decline of 5% during the quarter, which was more than offset by sides increases of 14%.

Florida had a 7% increase in sides and a 3% increase in price. NRT's Southern California operations strengthened compared to last year and reported a 12% year-over-year increase in home sale sides and an 8% increase in average price while Northern California enjoyed a 14% increase in sides along with a 5% increase in average price.

Moving on, NRT's average broker commission rate for Q3 2012 was up slightly at 2.50% year-over-year while RFG's average broker commission rate declined 3 basis points to 2.53%. Year-to-date RFG's commission rate is down 1 basis point, as would be expected given its franchisee's improving average sales price trend.

Also, Realogy Franchise Groups net effective royalty rate declined 23 basis points to 4.65% compared to Q3 2011 as its larger affiliates continue to achieve incentives for higher volume levels. RFG's top 250 companies represented 58% of total franchisee GCI in Q3 2012 versus 56% in Q3 2011. Also, this year our top 250 brokers have seen an increase in their GCI of 18% compared to the remainder of our franchisees who are up 6%.

Cartus relocation initiations for Q3 increased 3% and referrals increased 8%. The increase in initiations and referrals was driven primarily by an increase in Affinity business. At TRG, Q3 2012 purchase unit volume increased 11%, which was consistent with the NRT unit sales gains. TRG's refinance title and closing units increased 70% in Q3 2012 compared to 2011. And TRG's average fee per closing decreased by 5% in Q3 2012 due to the increase in refinance volume in the overall mix of business.

Slide 15 provides a year-to-date look at RFG and NRT drivers. In the first nine months of 2012, RFG transaction volume improved 13% with home sale sides increasing 7% year-over-year and average home sale price increasing 6%. NRT transaction volume year-to-date improved 12% with home sales sides increasing 11% year-to-date -- year-over-year and compared to 2011, and its average home sale price was relatively flat due to the mix of business shift to lower-priced regions.

With regard to what we are seeing so far for the fourth quarter of 2012, first let's look at October. Preliminary closed home sales sides combined for RFG and NRT are expected to increase approximately 19% in October versus 2011. This is impacted by two extra business days in October 2012 compared to October 2012. We also expect average sales price will increase 10% in October. You shouldn't read too much into this overall 29% increase in volume because of the two extra business days in October and the impact of a gain or loss of a day in a month is much more significant than for a quarter.

Although it is too early to know the effect of Hurricane Sandy on the fourth quarter, we expect that most of the impact will be a delay in the timing of closing of transactions from October to November. Historically significant storms have been immaterial to our financial results.

Based on the October results as well as what we are seeing in our pending contracts, we expect to see between 9% and 10% increases in transaction sides year-over-year in the fourth quarter for RFG and NRT combined and average price increases of between 6% and 7% on a combined RFG and NRT basis. As a result, transaction volume is expected to be up 16% to 18% in the fourth quarter.

One trend we are seeing in the fourth quarter that is contributing to the forecasted sales volume levels is more high-end activity in NRT. In the fourth quarter of the last year -- the fourth quarter of last year, high-end buyers were not very active in the market. This quarter we are seeing more relative activity in NRT's high-end markets, particularly the West Coast. We expect this to positively impact NRT's average sale price in the current quarter.

Let me spend a minute on the impact business days have on our revenue drivers assuming all else remains equal. On slide 16 we show our combined 2012 RFG and NRT transaction volume by quarter as reported on the actual number of business days in 2012 in red and adjusted for the same number of business days we had by quarter in 2011 in blue. Looking at the first quarter, you can see that we gained a business day in 2012. There were 63 days in Q1 2012 due to the leap year compared to 62 in 2011. As a result, we reported a volume increase of 6% in Q1. Adjusting out the extra business day, volume in the quarter would have been up 5%.

In the second quarter, the number of business days were the same in 2012 and 2011; thus, there is no adjustment needed to the 15% volume increase we reported. In the third quarter, as mentioned above, we lost a business day; 63 days in 2012 compared to 64 in 2011. Accordingly, on a same-day basis the combined transaction volume, home sale sides times average sales price, would have been up approximately 16% rather than the reported 14% increase for the quarter compared to 2011. This is shown in the blue same-business-day adjusted bar for the third quarter.

We expect to get that 2% back in Q4 as it has one extra business day in 2012; 64 days compared to 63 days last year. So as mentioned, we expect transaction volume, sides to price, to increase 16% to 18% in Q4 compared to last year on an actual days' basis, and 2% of that growth is recapturing the volume we lost in Q3. On a same day basis we expect Q4 would be up 14% to 16%.

Now let's look at revenue and EBITDA by business unit for Q3 2012 as shown on slide 17. Total revenue at RFG was $161 million in Q3 2012 compared to $151 million in 2011. The 7% revenue increase was due to the 5% increase in home sale sides and a 9% increase in average home sale price partially offset by the decrease in net effective royalty rate and lower commission rate discussed earlier. Marketing revenue and related expense decreased $1 million and $2 million, respectively, primarily due to lower advertising spend during the third quarter of 2012 compared to 2011.

EBITDA at RFG was $107 million in Q2 2012 compared with $92 million in 2011. The EBITDA increase was due to the $10 million increase in revenue, a $3 million reduction in bad debt expense, a $2 million decrease in legal expenses, and a net $1 million increase to EBITDA due to reduced marketing spend. These were partially offset by a $3 million increase in employee-related expenses due to the compensation accruals mentioned above.

Revenue at NRT increased $107 million or 13% due to a 12% increase in home sale transactions sides and a 2% increase in average sales price. NRT EBITDA in Q3 2012 was $67 million. This was $20 million better than a year ago. The EBITDA improvement was due to the revenue increase along with the $9 million increase in PHH Home Loans venture earnings and a $6 million decrease in operating expenses. These improvements were partially offset by $86 million of higher commissions as a result of higher gross commission income, an increase of $6 million in inter-company royalties paid over to RFG, and an $8 million increase in employee-related costs primarily due to the compensation accruals mentioned above.

At Cartus, EBITDA was $45 million in Q3 2012, down from $50 million in Q3 2011. Revenue declined $2 million which consisted of a $2 million decrease in financial income due to higher securitization costs and a $2 million reduction in at-risk revenue due to expected lower volume. These were partially offset by higher referral revenue of $1 million. The EBITDA decline was primarily due to $2 million of foreign currency exchange rate losses in 2012 compared with gains in 2011 along with $3 million in higher employee-related costs due to the compensation accruals mentioned above.

Over the past several weeks, expectations for Cartus' Q4 results have come down modestly. While Q4 2012 EBITDA results should outperform Q4 of 2011, Cartus is experiencing lower than anticipated volumes. Many of its corporate clients are reducing employee moves given economic uncertainty these clients are seeing on the near term horizon. We believe any shortfall will be more than offset by strong results we are seeing in the other business units.

At TRG, revenue increased $19 million or 20% as a result of a $6 million increase in resale volume, a $5 million increase in underwriter revenue, and an $8 million increase in refinancing volume. EBITDA increase $4 million due to the revenue increases partially offset by a $14 million increase in variable operating costs from increased volume and $2 million of higher employee-related costs due to the compensation accruals mentioned above.

Interest expense increased $28 million in Q3 2012 compared to Q3 2011 because of the incremental interest related to the note offering in January 2012 as well as non-recurring financing costs incurred providing us with financial flexibility in the event the IPO did not proceed as planned.

Turning to the balance sheet on slide 18, we extended -- we ended the quarter with a cash balance of $141 million, which includes $89 million of readily available cash and $52 million of statutory cash required for our title business.

Turning to the liability side of our balance sheet, on slide 19, at September 30, 2012, the amount borrowed under our non-recourse Apple Ridge securitization together with amounts borrowed under our UK securitization was $310 million. These borrowings are supported exclusively by relocation assets of $395 million shown in the current asset section of the balance sheet.

The current portion of debt on the balance sheet was $120 million at September 30th. This consisted of $20 million of borrowings under our revolver, our revolving credit facility, and $100 million of other debt that is backed by letters of credit. On October 31st, our revolver balance was $65 million. Subsequent to the transaction, $50 million of the LC-backed other indebtedness was repaid, and we anticipate repaying the remaining $50 million before yearend.

We expect our net corporate debt at December 31st to be $4.1 billion after repayment or conversion of debt in conjunction with Realogy's IPO. Accrued expenses and other liabilities increased to $647 million at September 30, 2012, from $520 million at yearend mostly due to accrued interest that was paid in October and accrued employee-related costs related to the retention and bonus expense.

We are in compliance with our senior secured leverage ratio at quarter end. Our senior secured net debt to adjusted EBITDA ratio was 3.85 to 1, which is within the required 4.75 to 1 limit. We expect to remain in compliance with our covenant for the next 12 months.

I would like to make note of some changes going forward in the adjusted EBITDA adjustments. First, the Apollo Management fee adjustment will go away due to the termination of the contract in conjunction with the IPO. Also, the adjustment relating to retention expense in the business optimization line will decrease since the last payment under the plan was made in October.

Let me remind you of certain non-recurring IPO-related charges anticipated in the fourth quarter that were fully described in the pro forma financial section of the Company's IPO prospectus. First, a fee of $105 million was paid to the Significant Holders at the IPO closing in lieu of the fully accrued and unpaid interest such holders would have otherwise received on October 15, 2012. This will be an expense in the fourth quarter in the statement of operations and not included in interest expense.

The statement of operations in the fourth quarter will also reflect a non-cash charge of between $250 million and $280 million due to the issuance of the additional 0.125 shares for each share of common stock of the Company upon conversion of convertible notes held by the Significant Holders and holders of up to an additional $130 million of convertible notes. This was in return for agreeing to lock up all their shares for 180 days following the date of the IPO. The issuance of these additional shares and the related charge will have no impact to shareholders' equity.

The additional shares issues are included in the 144.8 million total primary shares outstanding noted above, and that assumes that all the remaining holders of the convertible notes convert their holdings into common stock prior to November 16 redemption date.

Finally, the termination of the Apollo Management agreement that occurred upon consummation of the IPO will result in a $40 million expense to be reflected in the fourth quarter statement of operations. The termination payment will be made in January 2013, of which $15 million will be paid in cash and $25 million will be paid in common stock. The termination agreement also waived the $15 million Apollo Management fee for 2012. Accordingly, $11 million accrued in the first nine months of 2012 for such management fee will be reversed in the fourth quarter, and there will be no accrual for the remainder of the 2012 annual fee in the fourth quarter.

In conclusion, Realogy's balance sheet was materially improved by the recent IPO. With almost $3 billion of debt repaid or converted in conjunction with the IPO, Realogy has substantially reduced its corporate debt, which will result in an annualized interest expense reduction of approximately 50%.

As shown on slide 21, based on the visibility we have into the coming months, we anticipate Q4 will outperform the revenue driver trends we saw in the first nine months of 2012 at RFG, NRT, and TRG. Specifically at RFG and NRT based on our pending contracts with those two business units combined, we expect to see approximately a 9% to 10% increase in transaction sides year-over-year in the fourth quarter and average sale price increase of approximately 6% to 7%, also on a combined basis.

I'll turn it over to the op -- oh, I'm going to turn it over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator instructions). Your first question comes from the line of David Katz with JPMorgan.

David Katz - *JPMorgan - Analyst*

Congratulations on the completion of the IPO. It's been a long road. Coming back to the operating expense line, if one were to annualize that for the first three quarters and then remove around $12 million of the management fee that you guys have said won't be there next year, and about 75% of the $31 million of incremental employee bonus-related costs, in other words excluding the portion in G&A, that implies about a $318 million quarterly run rate. Is that the right way to think about it?

Tony Hull - *Realogy Holdings Corp - CFO*

It sounds right. I'd have to run the numbers more carefully, but it sounds like you're making -- oh, you'd also have to take -- oh, you're just looking at the third quarter?

David Katz - *JPMorgan - Analyst*

No, I'm looking at the first three quarters --

Tony Hull - *Realogy Holdings Corp - CFO*

Yes. You'd also have to add -- you'd also have to adjust for the $11 million of the Larsen, or the litigation settlement.

David Katz - *JPMorgan - Analyst*

Okay. And then I guess for my second question, obviously you guys said in your 10-Q that you're looking at possible refinancing transactions. When you approach that, how do you look at it in relation to the bank debt and the 11.5% notes?

Tony Hull - *Realogy Holdings Corp - CFO*

I think generally we're going to look at refinancing opportunities that lower our overall cost of debt and minimize our cash outlay. So nothing specific on that yet. We sort of told you significant part of our plans for 2013, so that's about where we are right now.

David Katz - *JPMorgan - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Anthony Paolone with JPMorgan.

Tony Hull - *Realogy Holdings Corp - CFO*

Hey, Tony.

Anthony Paolone - *JPMorgan - Analyst*

So, Tony, you kind of talked a little bit to some of the points around that rule of thumb about $11 million of EBITDA for every point of growth that you've used as a rule of thumb, and maybe some of the comp and other stuff getting in the way there, but can you just maybe talk through that a bit more in terms of when that sort of rule of thumb really takes effect? Like does that really work for us in '13? Is it a little bit higher because you don't have those comp and other items, or how should we think about that?

Tony Hull - *Realogy Holdings Corp - CFO*

Well the way that is calculated is we take, I'm thinking back to the road show, but we take the gross profit from NRT and RFG in 2011, basically which was $1.1 billion, and then we take 1% of that, and that gets us to our $11 million per point. So that number will change when we have the full-year 2012 results. It can change in '13 too.

But the bonus issues and all those things don't have anything to do with it. It's really just purely everything else is excluded from that calculation. It's really just looking at the gross profit at a point in time that we generate from volume at NRT and RFG and taking 1% of that, so that happens to be $11 million -- that happened to be $11 million in 2011. And when we report yearend, if that changes for '12, we'll report that. And it should go, as the market improves, that sensitivity should go up. I think it was as high as like $18 million back in 2005 per point, but 11 is kind of the current point in time number.

Anthony Paolone - *JPMorgan - Analyst*

Okay. Got it. And then just another item for you, Tony. On the retention bonus plan burns off, but now you're a public company and you have things like stock option and executive comp plans and so forth. Can you just give us a sense as to what that might look like in terms of unallocated corporate G&A on a go-forward basis?

Tony Hull - *Realogy Holdings Corp - CFO*

I think in the Q we said it was about $2.5 million per quarter of expense going forward.

Anthony Paolone - *JPMorgan - Analyst*

Additional versus where you've been running?

Tony Hull - *Realogy Holdings Corp - CFO*

Right.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And then Richard, just a couple items. 2012 is shaking out to be a very nice pop in growth. If the macro backdrop just stays where it is and we just muddle along, how do you think that shakes out as you look into 2013? Does the comp get pretty tough, or can you sustain this level of growth if we don't get a material macro improvement?

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Well you know we're macro driven. We'll pick up a couple points through our organic growth, franchise sells, tuck-in acquisitions. We'll never be able to outperform the macro, but listen, we don't anticipate that. And we think the NAR forecast is based on sound judgment and data, and we think Fannie is clearly wrong, as they traditionally are this time of year. So we feel pretty good about what NAR is forecasting for the year.

So listen, our expenses are not -- they're manageable. As you well know, we do a very good job of that. The organic growth will continue to add franchise sells, we'll continue to do tuck-in acquisitions, we'll continue to recruit new clients to Cartus. We'll pick up more business at TRG through the REO business. I'm very, very bullish on 2013.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And then just last one, a little bit more specific to the Midwest. It's been a big contributor to growth given the relative affordability there. Is that a region that you think can hit a tough comp just given the bounce there, or do you think that has some legs?

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

No, I think the good news is we're off a low base, so we've got a long ways to go, both on units and price. I think what's remarkable is that all this -- I've said this a number of times. I know you've heard me say this. All this is occurring in spite of high unemployment and in spite of low GDP growth. So with just a slight uptick in improvement in both GDP and/or the unemployment number, I think we're going to see even more growth.

I mean, we're -- I'm very, very encouraged by the growth that we're seeing in spite of those macro issues. So with the Midwest in particular, never really saw the price volatility because it's a pretty stable market for the most part. It doesn't see the swing in units or price so that we're seeing that kind of unit growth is remarkable.

I think the coasts are going to start contributing in a much bigger way in terms of price in the near term because they're again working off a very low base. So we're pretty bullish on all counts.

I think if you wanted to pick on a market, you could pick on Florida. Florida sort of adjusted while no one was paying attention, so unit growth was fairly significant. Price is going to follow at some point, so we're very bullish on all counts. We think there's a lot of upside.

Anthony Paolone - *JPMorgan - Analyst*

Okay. Thank you very much.

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Yes.

Operator

Your next question comes from the line of Stephen Kim with Barclays.

Stephen Kim - *Barclays Capital - Analyst*

Hi guys. It's John filling in for Steve today. Since you said that high-end activity in NRT is starting to pick up, should we expect in '13 NRT price growth to track more closely to the RFG price growth, because it's now for like the last two years been an underperformer relative to RFG?

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Now just remember NRT's price is twice the national average, so that's to be expected. But we're seeing pretty significant price gains in NRT and we think that's going to continue. Again, working off -- even though they're twice the national average, the high-end was beaten up pretty badly in the downturn, so the high end as inventory levels increase, you're going to see price rebound at the high end. So we certainly believe that it will start participating at a higher level, perhaps even higher than RFG as their markets recover.

Stephen Kim - *Barclays Capital - Analyst*

Got it. And then just turning to the average broker commission and effective royalty rate in RFG. The effective royalty rate is now basically at the bottom of the range that you've guided, so I was wondering if you could maybe give a little more color on how you view that looking out to '13? And then for the broker commission rate, what was the cause for the 3 basis point decline?

Tony Hull - *Realogy Holdings Corp - CFO*

Well, as we stated it's mix of business and it's really -- it continues to be that more of the top-producing agents are doing more of the business this year, so that's putting -- 15% of our franchisees are eligible for volume discounts, and more of the top brokers who are eligible for that are doing more of the business. Their volume increased 18% this year versus 6% for the rest of the franchisees.

So what's going to happen -- what we've seen in previous cycles happens is next year maybe they'll be up 10% and the other franchisees will be up 15%. I'm just picking numbers out of the air.

Stephen Kim - *Barclays Capital - Analyst*

Sure.

Tony Hull - *Realogy Holdings Corp - CFO*

So if that happens, the average broker commission rate, as it has in previous cycles, the average broker commission rate will start to go back up towards 5%.

At the peak in 2005, the average broker commission rate was like 5.10% or 5.20%, so it sort of as the market improves and the smaller franchisees do more of the business, you'll see the net effective rate go up if previous cycles are any indication.

On ABCR, I wouldn't take too much -- I wouldn't take too much from one quarter's performance. We're off 1 basis point for the nine months. I think that's more relevant in terms of trend. And as we said on the road show and we'll always say, the biggest driver of ABCR is average sales price, and as you pointed out in your first part of your question to Richard, the price being up as it has been at RFG for our franchisees at RFG, you would expect some pressure on ABCR, and that's exactly what we've seen for the first nine months of this year.

Stephen Kim - *Barclays Capital - Analyst*

Got it. And just going back to the effective royalty rate. Earlier you said that 53% of your revenues came from your top 250 versus 58% last year?

Tony Hull - *Realogy Holdings Corp - CFO*

I think it was 56.

Stephen Kim - *Barclays Capital - Analyst*

Is that correct?

Tony Hull - *Realogy Holdings Corp - CFO*

I think it was 56 last year for the third quarter and 58% this past quarter.

Stephen Kim - *Barclays Capital - Analyst*

Got it. Okay. All right. Sorry. I got those mixed up.

Tony Hull - *Realogy Holdings Corp - CFO*

That's okay because I could have said 53 and not known it, but the script said 56.

Stephen Kim - *Barclays Capital - Analyst*

Appreciate it.

Operator

Your next question comes from the line of Michael Kim with CRT Capital Group.

Michael Kim - *CRT Capital Group - Analyst*

Congratulations on the completion of the IPO and third quarter results. Richard, I guess my first question, with the news this week of HomeServices and Brookfield announcing a new residential real estate franchise brand through a JV to create Berkshire Hathaway HomeServices, does this impact your strategy at all over the next few years, and will this affect your appetite for acquisitions of real estate brokerage operations or expansion plans for certain brands, for NRT or even potential tack-on acquisitions for Cartus? How should we think about that?

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

That's a good question, Michael. It at the very minimum validates our business model. It's nice to see smart money trying to replicate what we've built over the past 20-some years.

I think what's important to note about the announcement is it's sort of the same that we're competing against now. We don't see -- Prudential, as you know, is a brand that was sold and is being wound down. Literally the brand Prudential will cease to exist within a defined period of time per the contract that they executed when they purchased the assets.

HomeServices is an operating broker firm. The comparable in our Company would be NRT, although HomeServices is -- we're about 2.5, almost 3 times larger than they are. So they have to amass the competency in franchising, and they have to, which is not an easy task, and they have to actually build a brand. As to the brand, Berkshire Hathaway HomeServices is not a consumer brand and it's not a real estate brand.

So in 10 to 15 years from now, maybe they'll actually make some progress. But in the near term, they're validating our business model. So it won't change anything we're doing. In fact, it may open up new opportunity as there's a great deal of confusion in the market place currently as to what they're intent actually is. So we'll see. We'll see how it plays out.

We've competed against tougher competitors in the past and I'm sure we'll compete against tougher competitors in the future.

As to Cartus, that's an interesting question. Cartus is dominant in terms of market share, and no one really measures market share, but we think they're probably the largest provider in that space. They don't really need to grow through acquisitions. The vast majority of the competitors are small. They're little niche providers. Or they have a completely different business model, like Serva, which has an at-risk model, which is contrary to how we operate. So I think Cartus will just continue to grow by adding clients.

Michael Kim - *CRT Capital Group - Analyst*

Okay. No, I appreciate that. Thank you. And just on I guess mortgage finance legislation. I guess post elections, what is your sense of timing for legislators to revisit the Dodd-Frank Act and actually clarify the QRM rules and risk retention rules? Is this high up on the agenda, or what are you hearing from Washington DC on this matter?

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

No. It's very high. Now whether they actually -- it's really to be determined by the outcome of the election. I think at the very minimum, QM and QRM must be defined by the regulators. I know they're working hard to try to satisfy all the various constituents as to what QM and QRM are going to look like. I don't see anything but strong positives behind that because right now, as you know, lenders are underwriting to the highest possible standard evident in the average FICO score. So it's some definition under QM and QRM, I suspect lending underwriting standards will become more practical and certainly more realistic.

But to be very specific, we think that it will be addressed within the first half of the year worst case, probably within the first 90 days best case.

Michael Kim - *CRT Capital Group - Analyst*

I see. Okay. And if I could sneak one question in for Tony. Just to clarify the guidance on debt of about $4.1 billion at yearend. That's exclusive of securitization debt, correct?

Tony Hull - *Realogy Holdings Corp - CFO*

Yes. It's net -- I said net corporate debt, so securitization debt is not corporate debt.

Michael Kim - *CRT Capital Group - Analyst*

Net corporate debt. Okay. Understood. And I guess in the past you've provided some sort of guidance on revolver draws for the following quarter. I guess I can back into it, but where do you think outstandings would be at yearend?

Tony Hull - *Realogy Holdings Corp - CFO*

That's TBD based on redemptions versus converts.

Michael Kim - *CRT Capital Group - Analyst*

Right.

Tony Hull - *Realogy Holdings Corp - CFO*

But we think net debt we'll be at -- we're comfortable with $4.1 billion as the overall net debt number.

Michael Kim - *CRT Capital Group - Analyst*

Understood. Okay. Great. Thank you very much. Congratulations.

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Thank you, Michael.

Operator

And we do have time for one more question, and that question comes from the line of Joshua Pollard with Goldman Sachs.

Joshua Pollard - *Goldman Sachs - Analyst*

Thanks for taking my question. I wanted to ask first around your royalty rate. Can you just give us some clarity on what could drive that up from here? I guess I was just a little surprised to see it down sequentially in the quarter and would love to get some clarity on what gets that back towards the midpoint of that 4.6 to 5.1 range that you've been in over the last few years.

Tony Hull - *Realogy Holdings Corp - CFO*

Again, as I mentioned to the other questioner, what we're seeing this year is that our top 250 brokers who are the ones eligible for the volume discounts, their volume is up 18% this year versus 6% for our other franchisees. So if next year, just because of year-over-year comps, whatever, I'll just give an example, that the top 250 are up 10% and the remainder of our franchisees are up 15%, again, picking a number out of the air, that's going to -- that'll start to move the ABCR -- I'm sorry, the net effective royalty rate back up.

So it's really -- again, at the peak of the market -- if you look back to 2003, the net effective rate was 4.6%, 4.65%, and then at the peak of the market in 2005 and 2006, it went right to 5.10%, 5.20%. So as the market improves and the rising tide lifts all boats, we'll expect that to improve.

Richard Smith - *Realogy Holdings Corp - Chairman, CEO, President*

Hi, Joshua. This is Richard. Listen, I view the issue as a strong positive. I mean if the top producing brokers are producing more of the business, they're achieving much higher thresholds, so they're working much harder to get there. So I'll do those tradeoffs all day. They're outperforming the market and they're rewarded through the incentive plans that are in the franchise agreement we have with each and every one of them. And the more people can achieve those higher thresholds, the better off we are at the end of the day.

Now that said, this is all driven by contracts, all in the franchise offering circulars, and it's just -- that's just how the business operates.

Joshua Pollard - *Goldman Sachs - Analyst*

And then the other question I have for you. I know you sort of answered it a little bit on one of your first questions. But I'm trying to understand you all's willingness to do a wholesale refi of your balance sheet after April 15th. Is that something that you guys are willing to explore or are you more looking to do it on a piecemeal basis?

Tony Hull - *Realogy Holdings Corp - CFO*

As I answered before, I'm going to give the same answer, which is we continue to analyze our corporate structure and our balance sheet and we'll look at opportunities to lower our cost of debt. We'll continue to do that. We have great ability to do that and a lot more flexibility, so we'll continue to do that.

Joshua Pollard - *Goldman Sachs - Analyst*

Okay. I figured I would get a better answer. I was hoping.

Tony Hull - *Realogy Holdings Corp - CFO*

Joshua, you know we're (inaudible), so just remember, always keep that in your back pocket and you'll know where we're going.

Joshua Pollard - *Goldman Sachs - Analyst*

Understood. My last question is just a small sort of detail question. That 144.8. Is that basic or is that diluted? And if it's not diluted, can you give us a sense of what your diluted share count would be?

Tony Hull - *Realogy Holdings Corp - CFO*

It's basic, and I think the diluted has another about 2 million shares.

Joshua Pollard - *Goldman Sachs - Analyst*

Okay. Great. Thanks guys. I really appreciate the time.

Alicia Swift - *Realogy Holdings Corp - SVP, IR and Financial Planning and Analysis*

That ends our Q&A. Thank you. A few quick points of information before we conclude today's call. First, if any convertible note holders do not have the necessary conversion documents or have any questions on conversion, please contact me.

Second, a transcript of this webcast will be available on the investors section of the realogy.com website by the end of the day today. Third, we anticipate announcing our full-year 2012 results at the end of the February with the exact date still to be determined.

We thank you for taking the time to join us on the call and we look forward to speaking with you in February. Thank you.

Operator

And thank you. And thank you for participating. This concludes today's conference. You may now disconnect.
