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EDITED TRANSCRIPT

RLGY - Realogy Holdings Corp Investor Day

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PRESENTATION

Alicia Swift

(technical difficulty)

So we would appreciate it if you withhold your questions until then. After lunch, Jamie Wilson is going to be doing a demo of the Zap technology.

And finally, as shown on Slide 2 of the presentation, the company will be making statements about future results and other forward-looking statements during the presentation. These statements are based on the current expectations and 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. Actual results may differ materially from those expressed or implied in the forward-looking statements.

For those who listen to the rebroadcast of today's presentations, let me remind you that the remarks made herein today are as of August 10, and have not been updated subsequent to the presentations. Important assumptions and other important factors that could cause actual results to differ materially from those expressed or implied in those forward-looking statements are specified in our annual and quarterly SEC filings. The presentation also includes industry data and forecast as well as certain non-GAAP financial measures. Per SEC rules, important information regarding these non-GAAP financial measures is located in the appendix of the presentation.

With that, let me introduce Richard Smith, Chairman and CEO of Realogy.

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Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

All right. Good morning, and thank you for being here. I see that half of the audience are people who know us, and the other half of -- it's -- you're new to the stock, so some of this will be a bit redundant, but some of it will be exciting and new and, I think, very contemporary as to the state of the industry and the state of this company.

So let's begin with our comments. Thank you for joining us. We're excited to have you here, and excited to share with you who we are and what strategy we're going to employ to grow. Over the next few hours, you'll learn from our senior leadership about how we are implementing our growth strategy and capitalizing on the unique scale and resources of this company.

Realogy is truly greater than the sum of its parts, and over the course of today, you'll see how all the pieces fit to create this shareholder value that we call One Realogy.

So beginning with who are we. Realogy is in the class of one. In our core business, the Realogy franchise group is the world's largest residential real estate franchise ore, with a breadth of recognized brands that reach every demographic and price point in the United States. It represents about 62% of the company's EBITDA. And NRT is the largest brokerage firm in the United States, representing about 19% of our reported EBITDA. Now NRT is also the largest contributor to the franchise group, contributing over $280 million in intercompany franchise fees, which we'll discuss in much detail later. Backing this out, we can consider NRT to contribute about 57% of the company's EBITDA as opposed to RFG's 24% contribution to reported EBITDA. We'll share more detail on this when Tony takes the podium to discuss in more detail, the interplay between NRT and RFG.

We generate another 19% of our EBITDA through complementary businesses, which round up the full value circle of our company. Through Cartus, a leading global relocation and affinity services provider, and the TRG Group, Tower Resources Group, one of the nation's largest title and settlement services providers. You'll hear from the leaders of these businesses as to the strategic importance of their operations and the success of our business and its dependency on these very important complementary businesses.

Realogy's scale and resources put us in a class of one in our large and growing $70 billion market. Realogy franchisees and company-owned brokerages closed approximately 1.5 million transactions last year, earned about $12 billion in commissions and represented a market-leading 17% of an otherwise fragmented market.

Our business capitalizes on many aspects of every home sale, something you'll learn as we go through the business units and how those business units operate. And nearly $6 billion in revenue and $770 million of operating EBITDA, we are the largest business in our industry. We dwarf our nearest competitor. Our asset-like model and meaningful free cash flow returned over $1 billion of capital since going public in 2012. And we are proud of how we run this company. Having been recognized as one of the World's Most Ethical Companies 6 consecutive years by Ethisphere, the global think tank as to ethical business standards and practices.

Over the past year, we embarked on a comprehensive strategy review of our entire enterprise. The result was a set of beliefs, based in fact and data, about the state and future of our industry, that established the foundation of our refined strategic plan. At its core, it's the belief that agents are critical to the value chain. And despite rumor, anecdote and speculation, this is undeniably true. In fact, the use of a real estate agent has increased meaningfully over the past 15 years. Last year, 88% of buyers and sellers used an agent to transact. That's up from 69% of buyers and 79% of sellers in 2001.

During the period in our industry when technology and circumstances arguably made it -- made the do-it-yourself attractive, feasible for sale by owner as a category declined to an all-time low. And during this same period of time, broker commissions have remained steady at an average of just over 5% of the transaction value. These 2 facts the growing importance of agents and the resilience of broker commissions have played out during a period dominated by transformation in technology in the presence of plenty of alternative business models from the dot.com boom through today. We believe the data is clear, and our conclusions are self-evident. Technology has and will continue to enable not dis-intermediate the agent. And you'll learn today, we are substantially invested in that regard. Our extensive research shows that the clearest driver of growth in our industry is simple. It's the growth of the productive agent population, and they're clear -- 2 clear metrics that we focus on: growing the agent productivity and growing the productive agent count. And with a majority of real estate agents currently unaffiliated with a national broker, our full-service value proposition and the breadth of what we bring is even more powerful to attract and retain agents. Given all this, we have landed

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on a strategy that should be of no surprise. It's crisp and clear. We serve agents. We use the power of Realogy to help our agents become more productive and build more profitable businesses. And because our success depends on our agents' success, we do more than any other company to ensure our agents' success. That drives sustainable organic growth in each of our business units, and it manifests itself in distinctive services that support agent productivity. And you will see throughout the day, as you hear from our businesses, that this -- the keys to agent success, supply the backbone to our strategy and our focused effort on growth.

Specifically, our agent-centric business model depends on 5 key issues: learning and education, leads, lead management, lead generation, technology, the services our managers and support staff provide to agents at each office, and most important, agent recruiting. And the beauty of this strategy is the result of something that all of us at Realogy take great pride in. Corny as it may sound, we're proud to make dreams come true. And that applies as much to our agents, as to our home buyers and sellers they serve. We are aligning all of our efforts to help our agents build businesses to meet their dreams and aspirations.

So before I turn this over to our business leaders, who will speak in much detail about their operations, let's take a look at the human side of what we do for our a living. Take a look.

(presentation)

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

So good morning, everyone. I'm John Peyton. I am the new President and CEO of the Realogy franchise group. I joined Realogy about 10 months ago, on October, after almost 18 years at Starwood Hotels and Resorts. I left during the transition to Marriott. I finished up at Starwood as the Chief Marketing Officer, and had roles in Global Operations as well as in the COO of the North America Hotel group. I love this video. I think, perhaps, better than any of us here up on the stage, to hear from actual buyers and sellers of homes and to hear from our agents -- how the agent really is the trusted adviser and crucial to the transaction, and how much the brand plays a role and the tools they bring, I think is a terrific message.

It's a thrill for me to talk about the largest franchise organization in real estate in North America and around the world. We've got 6 of the nation's most recognized brands, 5 of which we franchise and our North Star, we come to work everyday in the franchise group to make our agents more productive and more profitable, and to think about ways in we can do that. And I think the results show that we're really terrific at what we do in the franchise group. We retain year-over-year 98% of our affiliate's gross commission income, or GCI. Last year, our sales team added $380 million in new GCI to our system, and several of our brands boasts deep into the 90 scores around recognition and awareness out from a marketing perspective.

And I think we are successful because the franchise model really is a very simple one, in that we grow by converting independent companies to one of our franchise brands or by helping our existing affiliates grow. We do that either by helping them merge with another company, by helping them recruit agents or by improving the productivity of the agents that they have. So in addition to being a pretty simple and straightforward business model, ours is really, I think, unique to the industry. And I'll talk a bit about that.

We are a full service franchisor. We support companies as small as $50,000 in annual GCI and as large as $150 million in GCI in companies that operate in 5, 6, 7 states across the country. And so to serve a portfolio that's this diverse in terms of GCI, geography, sophistication across 5 brands, we organize ourselves within franchise too, in groups called learning, technology, business solutions, brand support marketing, growth, which is where we help our company's growth through the funding that we provide, and the Class VI support services. And I'll talk about many of these in the next few minutes.

So in addition to being full service, we really are able to capably serve and touch almost everyone in the U.S, and I'll talk about the U.S. specifically. Domestically, we have 190,000 agents in all 50 states. We cover 98% of the -- 96% of the U.S. population, all of those ZIP codes. To put into perspective, they are more Realogy franchise offices than there are movie theaters in the U.S. Coldwell Banker and CENTURY 21 represents about 2/3 of any number you look at for RFG in terms of our top line and our bottom line and the number of agents. And significantly, when you think about our diversity, we sold houses last year as inexpensive -- our least expensive house was $20,000, and our most expensive home was over $200 million. So we literally serve every price point in every market across the U.S.

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And so let me show you how that breaks down in terms of revenue and how we earn revenues. So I'll talk about the left-hand part of this slide first. We did 1.135 million sites last year, at about an average price of $272,000 in the franchise group. So that's transaction volume of about $309 billion, of which the broker commission is 2.5% on average. Our net effective royalty rate is 4.46%. And so that equates to about $360 million in royalty revenue for RFG. I think it's important to note that RFG, the franchise business, is really a -- it's a volume business, right. We earn our revenues $320 at a time. But importantly, for our franchise businesses, our top companies disproportionately produce the largest share of our net royalty revenue. So of our 2,600 companies, the top 250 generated 64% of our GCI. And that number of 64% has grown every year for the last 5 years. And I think that's a really healthy indicator, a really strong indicator of a healthy franchise system, when our top 250 are growing the way that they are.

So as you can see at the chart on the right, our franchisees contributed $360 million to RFG. NRT also pays a franchise fee. So we have $282 million from NRT, and we collected about $83 million in marketing fees, which we spend in the year for the year on our advertising and marketing activities, and then there's always other to complete our total of $780 million in revenue.

So that's our revenue. We've also had good market share performance over the last 6 years as well. You all know very well, it's been an increasingly competitive market. There've been many new entrants, both traditional and nontraditional companies, and so we're proud of the fact that we've maintained our share during this very disruptive and dynamic market over the last 5 or 6 years. What's particularly worth noting, I think, is that Sotheby's International Realty itself performed particularly well during this period. It grew its share from 1.7% to 2.3%. It was our fastest-growing brand during this period.

So with that said, as we think about growing, we're really focused on growing organically. And our agent strategy, as Richard mentioned, is focused on recruiting agents and teaching them to become more productive and more profitable within our system.

And so in addition to our market share, we're also delivering really strong margins. I'll talk about that for a bit. We've got an infrastructure and a business model that really is built for scale. Our operating EBITDA margins have grown from 60% to 67% between 2012 and 2016, that's a CAGR of about 9%. This past year, also in an effort to maximize our margins and share learning across Realogy we migrated to a shared-service model for a bunch of support functions. We call them Centers of Excellence here. So learning, technology and business solutions, all of the things that will help us to continue to drive strong margins are now managed through a centralized service that we share with NRT and with RFG. And so when we think about our entire Realogy growth strategy, which you're going to hear so much about today, it's all about managing profitable growth.

And so I'll spend the next few minutes talking about the strategic focus and where we are focusing our innovation and our thought leadership within RFG as well as the rest of the company.

So it's all about the agent as the critical key to the value chain, because our model is simple. When an agent earns more money, the broker or owner owns earns more money, and when the broker or owner's revenues grow, our fees grow with franchise, because we get paid off the top as you guys all know. So we share with NRT and all of RFG a strategy, and these are the components of our strategy. We're focused on recruiting, learning, developing more leads, technology, emerging segments and world-class brands. And I'll take a minute to talk about our work in each of these areas.

So first up is recruiting. I think it's important to note on the left-hand side of this slide that 51% of agents are unaffiliated in the U.S. today. And so of those 2 million, 51% are unaffiliated, that's a huge opportunity for us to recruit and retain those agents. And so we've got programs in recruiting to make sure that we can really drive that. We've got an industry-leading productivity machine, we've got best practices from our franchisees, and owned brokerages, and we've got an unmatched ability to fund growth.

And I'm going to excuse myself for one second and grab my notes because we have frozen on the teleprompter.

But I was so smooth none of you even knew I was on a teleprompter, right? Just to make sure I don’t lose any details. So when it comes to recruiting, we're very much focused on recruiting and our strategy to help our affiliates grow. So we think that it's all about having a really strong value proposition in order to help our affiliates grow. So the first thing that we're focused on when we help our affiliates attract agents is our scale. We've got a scale domestically and internationally that no other company has. And with that, we have an unbelievable referral population, in terms, of the referrals that we can send across our system. We've got a productivity tool in Zap that nobody else can match. We've got our vast data, which

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we make available to our agents, to help them with their marketing and in their marketing spend to make it more efficient. And we've got funds. We're the only company that can actually fund our affiliates growth, either in terms of helping them fund their M&A, their acquisition of new companies, or to help them fund the transition costs for bringing on new agents.

And so when it comes to recruiting, we really have a dynamic program where we intend to rollout new tools and new programs each and every quarter. So for example, this quarter, in the fall, we will roll out a new playbook of prudent practices that helped recruiting -- to help offices recruit, that we've learnt from NRT as well from other affiliates. We're also putting together material to refresh our agent value proposition so that when we talk to an agent, we can tell them why Realogy, why the brand that's recruiting them, and why that specific broker is the best thing that they can do for their career. And we're also going to pilot a new rentals program, because one of the tough things in this industry is bringing in young new agents, because they don't have a book of business and a sphere of influence, introducing them to rentals and renters is a great way to help them build their sphere.

And then finally, we've got in market this fall, a new RFG-backed funding program that's going to actually help fund brokers, agent growth over certain thresholds.

So that's our investment in recruiting. Once we recruit the agents, we've got to help them become more productive, and that's why we're doubling down in our learning and our training.

About a year ago, as I mentioned, we centralized training. We put it into the center of excellence, and our curriculum really focuses on 2 key roles. It's all about the agent and it's all about the office manager. And helping office manager is not only recruit, but help agents to be more productive. As you can see on the chart, our courses begin on the bottom with accelerate, that's our entry-level course. It's also our refresh course for those agents that need a little bit of a reintroduction to the field. And this field -- and you move on up through 3 levels to master and you can see examples of the courses that we're developing. I think what's great is we're also launching a new learning platform this fall as well. And it's really a lot more than just a warehouse that contains our curriculum. They'll be integrated with Zap. So we'll have one-stop shopping for all of our agents. When they want to interact with us, it's all through Zap. And among other things, it will allow agents and managers to track their activities. So if we teach in class that you should be making 5 prospecting calls a day, they'll log those prospecting calls into the tool, and it can be tracked by managers and the agents, which really facilitates coaching.

Our learning platform will really also be our social media hub. We have audio interviews with our best agents and top producing brokers on there, webinars, panel interviews, chat rooms, video posting, and it's really going to be the central hub for all that our agents do and connect them across our brands.

And I think what's also significant is we're taking a new approach in the way we developed the training this year or going forward, where all of our content is developed by interviewing our top producing agents within our system. It's all about the proven practices that the agents work that within NRT and our franchise brands. So we're not theoretical, we're not academic, it's all of about training through activities and tools and production. And we measure this through per person productivity. PPP for our agents today on the franchise side is about 8 size -- 8 deals per year.

If we just grow that to 9, which is only an increment of one, it doesn't sound like a lot, that actually equates to about an increase of 10% in our size volume. So we think that the payoff here is huge by investing in learning.

So we're investing in productivity through our recruiting, through our learning, and we're also focusing on leads and growing the number of leads and the proportion of leads that we deliver to our agents. So a typical Internet lead has a very low conversion rate, and agents have to work a lot of leads in order to get to 1 sale. They don't love those generic Internet leads. But on the other hand, leads from our sources, Cartus, USAA, from our other partners, those close at much higher rates, and they're much more highly valued by our agents.

And so RFG and NRT and Cartus, we offer brokers, really, an agency an unique value provision, because our scale enables us to deliver leads, highly-qualified leads, that no other company can. And so we're very focused strategically on lead generation, allocating those leads to the agent who is the best match for that customer and lead conversion.

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So a couple of examples of what we're working on there. To drive lead generation, we're investing in new sources of leads, such as an enhanced relationship with Facebook. I think you'll see some cool things coming out in the fall. To make sure that we allocate the lead to the most relevant agent, we're partnering with IBM Watson to use advanced analytics, to really make that match work well. And when it comes to conversion, it's all about our training and introducing the proven practices of our best agents to those that need a little bit of help.

Ultimately, the goal is to grow the proportion of leads that we deliver as part of any agent's portfolio. This helps -- this helps brokers recruit agents, because they can talk about the leads, but importantly, it's terrific for a franchise business, because it makes brokers really sticky. If a broker or agent leaves our system, they lose the leads from Cartus, they lose their leads from USAA, and all of our other partners, and that's a big part of what we view as the stickiness of our franchise system.

Another really sticky feature of our system, and sticky is an important word in franchising, is technology. And that's the fourth element of the focus of our strategy.

So later this morning, Stephen Fraser, our CIO; and Jamie Wilson, who leads Zap, will talk a lot more tech, but I wanted to make just a few comments about our technology as it relates to franchising. We -- first is, we offer Zap to our brokers at no cost. So that is a huge and significant value add, and another element of what makes us very sticky and hard to unplug from our system. We also provide -- we also -- it's like 13 years old, I almost cracked there. We also provide brand-specific technology to help agents with listing presentations, to help them manage their time, to help them make sure that their marketing spend is more efficient and more effective. And I'll give you one example. What you see here is just a few things that Coldwell Banker has. It's specific and unique to Coldwell Banker that it offers to its agents. Zap, of course, but Coldwell Banker also has CBX, which is a proprietary tool that uses data to help agents find the most likely buyers for their listings based upon geography, past patterns and things like that.

Zap also has a relationship with Amazon's Alexa. We rolled out a new skill this week, and it's included in our smart home kit as well. Take a look at this Alexi video.

(presentation)

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

Cool, thank you. So technology is great, and we're complementing it though by the relationships we are building with the most promising segments in our industry. There is a huge opportunity to grow share and own the country's most promising home-buying segments: Hispanics, LGBT, Asian-American, African-American, and millennial. There's a lot of statistics on the left-hand side. I'll just -- I'll mention the first 2. The Hispanics represent 18% of the U.S. population, but about 42% of the households and the growing households. And there's a lot of research out there that the survey we shows here, 75% of LBGT adults would change brands if they believe they were LGBT-friendly. So there's real opportunity to penetrate more deeply into each of these segments. And our strategy area is really is 2-pronged. One has been going on for many, many, many years. Each of these segments on the left has a national industry association that -- those are the -- those long acronyms you see at the top of the second column. We're deeply embedded and have been for years in those organizations. We sit on their boards, we have a huge presence at their events. We help them plan their conferences. But secondly, we're directing each of our brands to target one or more of these segments and developing programming and practices to go really deep, so that we can learn best practices and share them with our other brands as well. CENTURY 21 is a great example of what's its doing with the Hispanic market. We've recently rolled out new Spanish websites since Spanish collateral. CENTURY 21 posts everyday to Spanish Facebook, Spanish Twitter and other social sites. And we've got -- we actually work with NAHREP, which is the National Association of Hispanic Real Estate Professionals, and we help them actually establish local affiliations in each and every market so that we know all the agents in those markets. We're very deeply embedded there. And we're doing that for each and every one of those segments.

And so finally, I'd saved for last, strategically, our ultimate weapon, which is the strength of our world-class industry-leading brands, and really what appealed to me, when I thought about joining Realogy more than a year ago. Each of our brands offers a distinct consumer experience, each has got a unique tone of voice, and each delivers really creative, original programming. Our brand philosophy is really very simple and straightforward, is that we expect each of our brands to be different, better, and special, to appeal to individual broker and agent taste, local market conditions and

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consumer preferences. We've got a brand for you. I think -- more than anything, I can say this video really speaks to the individual strengths of our brands and the collective power of our portfolio. So take a look.

(presentation)

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

So as a former Chief Marketing Officer, I'm really proud of our 6 very unique brands that each have a special story to tell, and they're each certainly different, better and special.

And so I'd like to introduce my colleagues at NRT, Bruce Zipf, the CEO, and he'll be -- he's joined by Ryan Gorman, our CEO -- COO. Thanks very much.

Bruce G. Zipf - *NRT LLC - CEO and President*

Good morning. So today, I will be providing an overview of NRT's operation of NRT's operations and our key business drivers. We are also going to highlight some of the major NRT's strategic shifts that have occurred over this past year at NRT to further enhance NRT's operating performance. We will provide additional insight into the 2 significant NRT strategy platforms, our enhanced local agent operating services and our reengineered nationwide productivity agent recruiting program. All of which, as John outlined, align very well with Realogy's overall growth strategy.

Let's start with NRT. NRT is the world's largest real estate company with over 780 offices and 49,000 sales associates. NRT's average sales price is $490,000, which is twice that of the national average. Our sales volume of $164 billion is nearly twice that of our nearest competitor. NRT operates under multiple Realogy franchise brand and various private level label brands, such as Corcoran, Citi Habitats, ZipRealty and most recently in Climb Real Estate in San Francisco.

NRT generates revenue at the time of a real estate transaction closes and is represented by an NRT real estate agent. Each home sale side represents 2 sides: the buy side and the sale side. NRT may represent both sides or just one side. In 2016, NRT closed 336,000 home sale sides with an average sales price of $490,000. The multiple of home sale sides times average sales price is known as transaction volume, which in 2016, as I highlighted, was $164 billion. Transaction volume is then multiplied by the average broker commission rate, also known as ABCR. At NRT at 2016, our average broker commission rate was 2.46%. The ABCR represents the real estate commission percentage NRT receives on each home sale sides, and it should be noted that ABCR has held relatively steady over the last several years.

Let's take a look at some of the key components of NRT's operating EBITDA. Commission revenue is directly related to the commission expense paid to our sales agents. 90% of the commission revenue is paid to the top 50% of our agent population. Royalty and marketing fees to RFG is highlighted represent a key revenue strategy, not only for RFG, but Realogy, and the 3 major other operating expenses are payroll, rent and marketing. Adding the royalty and marketing fee pay to RFG, as highlighted by Richard, to NRT's EBITDA is a better representation of NRT's contribution to Realogy's 2016 EBITDA.

As noted, approximately 90% of NRT's revenue is generated by the top 50% of our agent population. NRT's retention of this very important productive agent group has approached 94%. Although our agent turnover is greater for the lower 50%, NRT's total agent turnover is 20% versus an industry average of 30%.

Productive agent recruiting is a strategy NRT executes on extraordinarily well by providing extraordinary agent support and service. It is a key focus and is reflective of our strong agent retention. Agent's sphere of influence, also known as an agent's personal network, represents almost 2/3 of how agents generate their business. Agent's sphere of influence includes prior clients, recommendations and relationships built through a variety of different venues, technology and more conventional-type venues. Independent of the search in real estate technology offerings over the last several years and over the last 5 years, Internet real estate leads remains less than 10% of how agents derive their business.

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This further supports that real estate buyers and sellers, yes, go to the Internet for their information, but when it comes to the actual purchase of a home or the sale of their home, they're looking to their sales associates that they know, that they trust, that have been recommended or proven as a trusted real estate adviser. However, technology investments at Realogy are a key strategy, as highlighted by Richard and John. Our focus is to provide the best-in-class technology to build our agent's sphere of influence, which in turn will enhance their productivity and their earnings. Over the past several years, NRT has launched some key operating strategy shifts aimed at growing our key agent population and productivity while enhancing our local agent services and support to continually improve agent retention.

Ryan Gorman, NRT's Chief Strategy and Operating Officer, will highlight some of these key strategy changes. Ryan?

M. Ryan Gorman - *NRT LLC - Chief Strategy & Operating Officer*

Thanks, Bruce. So let's talk about some of those shifts. They are subtle, but powerful. I think everyone here knows NRT's legacy of growth is one of acquisition. So we acquired about 500 companies over the years, which is a crazy number, but it's left us with the most diverse and, I'd say, incredible population of talent and operations in the industry. It's really without peer. But as we focus now more on the organic growth side of the equation, especially attracting and growing the most productive agents in the industry, we felt we had to step our game, enhance our value proposition by data mining those diverse operations we had to-date, to discover true best practices in every individual category of service that we deliver. It's really what we've gone about doing recently, and we're still in the process of doing it today.

First thing we tried to do is create centers of excellence nationally, much like what John described and leveraging some of what John described as well as creating our own. So we took a lot of what was delivered locally as well as regionally, things that weren't in the offices but delivered to the offices and concentrated them nationally, taking some of the best teams that were doing the work, taking some of the best practices that had derived the best results, and having those teams do that work nationally. That felt hard, but it turned out, it was the easy part. Next step was trying to take some of the aspects that were delivered in the offices, out of the offices. So that people who are in the offices can focus on growing our agents business and growing the agent count in those offices. Now these are services that have been delivered for about a century in the sales office. So it's not a layup to take them out. It's hard work, but what we're seeing is it's definitely worth it. So we can allow those folks in the offices to do what they do and love best for our agents.

Finally, what we have now referred to as local agent services, I'll explain more in a little bit, is taking those services that are delivered personally in the offices and creating best practices and then implementing them across the system and sharing them with RFG as well as the franchisees. That is incredibly hard. It requires a lot of data-driven discovery and then change management expertise to roll out across the country. We are about halfway done that now, and we're seeing some very encouraging results, in some cases, incredible results. But we're hoping that's going to continue and then leverage that further. So I'll get into local agent services a little bit.

This cornerstone slide here looks a lot like John's slide. All the nonhighlighted cornerstones are identical to what was on his slide on purpose. We leverage what RFG is doing increasingly so. One of the things that NRT can bring to the table, we've often referred to NRT as the test kitchen of Realogy, developing and discovering best practices that have been shared with our franchisees, we're doing that here with local agent services. So a lot of what we're discovering in that area and sharing with RFG is outlined here on this slide.

Within NRT's offices, we've talked before about noncompeting managers, as I'll explain that a little more in a second, as well as the other staff in the office that's focused mainly on administrative support for the agents as well as marketing, tools and technology support for the agents.

There's a list of things here that I would put in the category of highest value impact to the agents for local agent services. The nonvalue work or the low value work is some of the stuff that we point out and putting into the centers of excellence. I could go on for days about every one of these bullets points. I won't because I'll get the hook. But at lunch or on break, feel free to grab me. We can talk more about this.

None of it will seem to you like rocket science. But I got to tell you, consistent and high service level execution is incredibly hard in any service industry. I'm sure you knew that. It's especially hard in this industry. However, so few people do it in this industry that the results are remarkable when it's done. That's what we're doing, that's what we're seeing and that's what we're going to be enhancing.

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A couple of those things that might seem obvious, but really are not, are things that NRT has discovered through some of this work related to recruiting, specifically, 2 programs that were test piloted in NRT and now will be rolled out at RFG. Bruce is going to talk more about them. But first, he's going to give you greater context for the organic growth path of NRT as we move forward.

So Bruce?

Bruce G. Zipf - *NRT LLC - CEO and President*

Ryan, thank you. So let's talk a little bit about recruiting. And as you'll hear me say several times, recruiting is essential for the growth of a real estate brokerage company. And as I indicated earlier, NRT took a significant shift in the latter part of 2016 and placed a greater emphasis on recruiting highly productive sales associates to propel our organic growth.

So let's talk a little bit about and give an overview of NRT's recruiting strategies. As I said, agent recruiting, retention and development of the agent base is essential to assure organic growth. Organic growth is the primary responsibility of our senior leadership and our field management.

NRT has historically recruited approximately 9,500 sales associates every year, and a majority of these agents were relatively new to the business, better known as the traditional recruiting strategy deployed in residential brokerage. Now of the 9,500 sales associates that come onboard every year, if you fast forward 5 years from now, approximately 20% of these newer-to-the-business agents remain with NRT. However, 5 years from now, that population of remaining agent will be part of NRT's top 50% of our productive agent base. This group, in essence, is our farm team and is a traditional way of developing your agent base in residential brokerage. As Ryan pointed out, the local agent services is very important to continue to develop this newer-to-the-business agent and is critical for their success and their productivity.

Let's now highlight NRT's newly targeted recruiting plan that was rolled out in the second half of 2016 when we launched a targeted nationwide agent recruiting plan, which was targeted to highly productive agents in each of the 50 NRT markets we represented. This targeted plan was a comprehensive, orchestrated management effort across NRT's 800 sales offices and was executed on data-driven intelligence in all of NRT's markets.

In order for this to be successful and for us to recruit over 1,850 sales associates of this caliber in less than 9 months, there were several things that had to happen. Number one, our field management, our branch managers have had to already establish a strong working relationship with this caliber of agent. They needed to articulate a compelling agent value proposition, and we had to provide a competitive and compelling incentive package, which would resonate with this agent population that NRT was focused on investing in their future. Only Realogy, because of its size and scope, could provide this comprehensive agent offering and implemented on a nationwide scale. We'll go into some of the very positive results that have come out of this recruiting strategy shortly.

But to further enhance this recruiting effort, we mobilized our 49,000 sales associates to be our recruiting partner and incentify them accordingly. And in the latter part of 2016, we enhanced this program or reincentifies -- incentified our agents even more to do this, and we will show you the dramatic results that have come from that initiative also. As you can see, the impact of NRT's targeted agent recruiting strategy, along with the enhanced agent recruiting referral rewards program I just spoke about, is just beginning to show some very attractive and positive organic results. And although the full impact of these initiatives is not reflected as of June 30, an almost 25% increase in revenue growth from year-end 2016 to last 12 months June 30, '17, from recruited agents is quite significant and is also was reflected in NRT's Q2 operating results.

So let's take a closer look at the positive impact these reengineered recruiting programs will have on NRT's future performance. As noted earlier, NRT for the last 12 months period, recruited 11,750 sales associates, of which approximately 9,900 were the traditional recruits relatively new to the business. And then because of our program we launched in the latter half of 2016, we brought in 1,850 agents, and as of today, they're now 2,000 agents under this program. But as of June 30, those -- there's a huge difference between the 9,900 traditional recruited agents and the target agents as it relates to their productivity and their contribution to NRT's revenue line.

The traditional recruit, relatively new to the business, if we look at over the last 12 months what they contributed as far as unit productivity, was on average 2.4 transactions. The targeted recruits, because they hadn't been with us for year, we have now reflected what they did with their broker 12 months prior before joining us, and you can see it's a dramatic difference. This group, on average, is producing over 13 closed transactions.

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When you look at the average gross commission per agents, it's equally as dramatic. The traditional recruit has been with us for the last 12 months, $20,000 of gross commission income versus the targeted agent group of $136,000, almost 7x the traditional recruit. Now the average tenure of a targeted recruit is 10-plus years and, obviously, very experienced strong sphere of influence and one that obviously is showing dramatic results for NRT's revenue. We also believe that with the platforms that have been discussed earlier, and you'll learn about the rest of today, that this group of targeted agents will even be more productive with NRT.

Finally, let's look at the gross commission revenue generated by these 2 groups. The traditional groups -- recruits, the 9,900, generated $136,000 (sic) [$20,000] per agent, but close to $200 million of aggregate gross commission revenue. Now if you recall from the previous slide, the 11,750 agents generated $262 million, the difference between the $262 million and the $198 million are these targeted recruits that have already contributed as of June 30 to NRT's results. The difference obviously being $64 million. If we look at the targeted recruits and what they generate with their previous broker before coming onboard with us over the last 9 months, this group of 1,850 agents generated $252 million of gross commission revenue, which we believe will even be further enhanced, and NRT will benefit into the future months.

As I outlined earlier, NRT has mobilized this recruiting strategy, its 49,000 sales associates, as recruiting partners and incentify them accordingly. And as a result, this is an initiative that only NRT, because of its size and scope, could implement. For the last 12 months, June 2017, there were 3,650 agents that were recruited under this referral rewards program, not only this past year, but for the last several years, that have generated over $146 million for the LTM period June 2017. These are agents that we may not have recruited through the traditional or even targeted strategy. But by mobilizing these 49,000 sales associates, we have been able to accomplish something that most real estate firms cannot.

Equally important, our NRT agents who refer these agents were incentified approximately $3 million as a result of their efforts. So this strategy benefits NRT on several fronts, one, to recruit productive agents; but equally as important, to retain NRT's current productive agents who make these referrals. From our standpoint, this is a win-win situation.

In conclusion, we believe NRT's comprehensive recruiting strategy will accelerate NRT's organic growth. Our local agent services plan, outlined by Ryan, will provide additional agent support, which will continually improve agent retention and productivity development and further propel NRT's and Realogy's organic growth. Thank you.

So I get to do the introduction on the technology side. So I will do so. Now as we noted earlier, technology does play a critical, critical role in agent development and also the development of the agent's sphere of influence. And blending a strong technology strategy with growing our productivity of agent base represents the best overall strategy for Realogy's growth. So to provide you some insight into our technology strategy, I'd like to introduce Stephen Fraser, Chief Information Officer, and Jamie Wilson President and CEO Zaplabs. Steve?

Stephen Fraser - *Realogy Holdings Corp. - Chief Information Officer and SVP*

Thank you, Bruce. Good morning, everyone. I'm Steve, and this is Jamie. Picture this, it's winter. The first snowfall of the year, somewhere in the Northeast. And the parking lot of a Walmart store, there's 6 inches of snow on the ground. Question, in that scenario, what 3 products that begin with an S sell out first at that Walmart? I'll ask for guesses. If you heard this story before, please don't guess. So who has guesses? 3 S's to sell out, snow on the ground first time that year.

Unidentified Participant

Salt.

Stephen Fraser - *Realogy Holdings Corp. - Chief Information Officer and SVP*

Salt. That's a good one. That's one.

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Unidentified Participant

Shovel.

Stephen Fraser - *Realogy Holdings Corp. - Chief Information Officer and SVP*

Shovels. You guys are good. That's number two. What about number three?

Unidentified Participant

Sweater.

Stephen Fraser - *Realogy Holdings Corp. - Chief Information Officer and SVP*

No. That's good, but not the top 3. Okay. In the interest of time, I'm going to bring the conclusion up. Any last guesses? Strawberry pop tarts, okay. In that scenario, that's what happens. That's not exactly easy to anticipate, but it highlights the power of insights from data analytics.

Now that's a story about Walmart, but I'm sharing that because Realogy, in many aspects, is the Walmart of our space. We have significant size and scale, we have unique data assets and we believe we have special opportunities. We're working with a number of companies, and John mentioned earlier, including IBM and Watson, to pursue those opportunities.

I opened this door today to highlight that I'm setting the stage, we believe data analytics, including those that underpin our core Zap technology, are extremely important and valuable to Realogy, and it will be key contributors to the technology strategy that Jamie and I will discuss this morning.

So here we go, capability and resource overview. Realogy has over 1,300 technology resources working across our organization. Much of what they do is listed on this page. You can see it here. I'd also like to call out some of the exceptional capabilities we have at Zaplabs in the San Francisco Bay Area in California. That includes things around the product management, software engineering, data science and user design.

Technology empowers agents and agents increasingly tell us that it's critical to their success. Agent involvement at home sales, has increased steadily from 69% in 2002 to 88% today. Our focus is, therefore, on leveraging technology to make agents more productive.

To best serve agents, we will deliver a differentiating technology experience. It's not just about the technology. It's about a combination. We have a good technology. We will have good tech training so that agents can effectively and comfortably use that technology. And we have good support services to get agents up and running quickly, or if it's challenges or issues, they're dealt with timely. We want to keep access to that technology maximize. Those 3 things, we believe, will give us a differentiating experience.

But on top of that, and to my earlier point about data, all 3 of those things, the tools, the training and the support services all produce important valuable data that we will put back into that process to continuously improve it and continuously improve the agent experience.

We're investing significantly in our technology, leveraging our Zap core platform. Some examples of that are: our acceleration of Zap, rolling it out to our network; continuously improving the products, features and functions; enabling an open environment where we can connect in, through APIs, our strategic partners; helping our agents optimize their marketing spend and helping them improve their sphere of influence in their personal networks through technology, and of course, that's were a lot of their leads come from. We're building a best-in-class learning platform, and we will use our data capabilities, including the predictive analytics that are built into the core Zap, to create innovative data-driven solutions to help power our agents.

And with that introduction, I'd like to turn it over to Jamie, who's going to take us more into the details of what's going on in Zap these days.

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James Duncan Wilson - *Realogy Holdings Corp. - CEO of Zaplabs LLC and President of Zaplabs LLC*

Thanks Stephen. As Stephen mentioned, our team out in Emeryville is made up of engineers, data scientists, data analysts, UX designers, UX researchers, and we've also got a team of engagement and support personnel.

Since joining Realogy 3 years ago, we've been very focused on rolling out the Zap platform and making it available to our agents and brokers. In fact, we've rolled it out to over 110,000 agents and nearly 1,800 companies. We know that in today's fast-paced world, where change and technology is occurring at an incredible pace, real estate agents and brokers need some tech solutions more now than they ever had before.

Consumer behavior is changing rapidly, as we all know. We see it everyday in our day-to-day lives. We also heard that millennials are the biggest part of our population today. And Google tells us that 90% of millennial's go online on a daily basis, and 3 quarters of them are online on their smartphone more often than they are on a computer. This has resulted in consumer expectations being as high as they've ever been, not only around the digital experience, but also around the intersection of the service provider and that digital experience.

Which brings us to agents. Agents since day one often struggle to connect with the consumer. Agents bring a tremendous amount of value to the transaction. As a transaction, it's complex, it's a high-dollar value transaction and it's not easy for those consumers to navigate. But agents have the experience to know how to help them with it. In years past, it was sufficient for an agent to have -- an agent or a broker to have a website and put that up, and that was enough for consumers to come and work with them. But today, the experience is being defined -- the experience the consumers are looking for is being defined by companies like Facebook, Amazon, Airbnb and Uber. And the bar that is set is incredibly high. It's not easy for agents to find a solution that meets the needs that consumers expect.

This is where Zap comes in. Zap is a different kind of technology for agents and brokers. It's a technology platform. And it's the connectivity of that platform and the interactions between consumers and agents that make it powerful. For consumers, we offer search tools that enable them to find their next home or sell their property. And for agents, we give them tools to help them prioritize and identify the next set of business they're going to be looking for.

Most importantly, though, is the interaction between those consumer tools and agent tools that provide the real value. Consumers are fueled with information that agents provide. They are able to gain insight from agent knowledge through the consumer applications. And similarly, agents gain insight into which consumers they want to work with based on the activities that the consumers are completing on our websites and applications. Our brokerage operations tools provides brokers with value proposition that helps retain and recruit agents, and it also helps them make agents more productive through coaching opportunities.

We know that leads are critical important -- critically important part of our business as brokers and agents are often looking for ways to grow their businesses. Zap has a robust leads program that's been developed over the last 15 years that enables brokers and agents to find new sources of business as they're developing their companies.

Finally, we've got Zap integrations. The first 4 components that popped when I talked about it are robust and well developed that we've built out over the last decade and a half.

Integration is the next area of the platform that we're focused on. It allows us -- integrations will allow us to focus on the core components of the platform while also making the platform more robust by offering great services from some of the best providers in the industry. An example of integration that we're building out is around transaction management. Transaction management will be integrated into the workflow of agents so that they'll be able to choose from and work with top providers in the industry and seamlessly transition from their prospecting activities into closing and managing transactions.

As you look at Zap, one of the greatest advantages that we have is in the data that we collect from all these users. Our consumers are constantly searching for homes. They're logging into the site. They're saving homes. They're saving searches. They're searching in different areas. And we learned a lot from this type of behavior. We know obvious things like how frequently they're using the system, but we also glean interesting insights that may not be so obvious.

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For instance, one of the things we know is that the first 2 pieces of data that consumers will look at on a property detail page are high-definition photos and the listing agent remarks. That's helped us identify new products to developed to -- for -- that allows agents to market themselves and provide value to consumers. Similarly, agent behavior data and productivity data helps us understand how we can better develop the tools for our agents. All this data and information powers the development of our mobile applications and products and features, like the ZapScore and ProScore, which I'll talk about a little bit later today.

So where does this take us? Our brokers and agents tell us that Zap's an incredibly powerful tool for them that helps them be more productive and helps brokers attract and retain more agents. We also keep close eye on the results that Zap's driving. Early indications show us that agents who use Zap more often see greater productivity. As we see here, agents who log on to Zap 10 or more times in a given month see a 10% increase in their productivity on a year-over-year basis. This is really exciting news for us to see, and we're encouraged by it.

As a result, we're also very interested in driving the adoption usage of Zap. I mentioned earlier that Zap, we've rolled out the approximately to over 110,000 agents. We've increased our user base by 10x over the last 2 years, and 28% of those agents that have access to Zap are monthly users.

Leads are also incredibly important part of the platform. Earlier this year, we rolled Zap out to the Better Homes and Gardens Real Estate franchise. In doing so, we've transitioned their brand site over to Zap, and we saw 300 % to 400% increase in the traffic that was coming to their brand dotcom site. This results in an increased number of leads and opportunities for agents and brokers within the Better Homes and Gardens brand. Similarly, we rolled Zap out -- we've transitioned the era.com site to Zap early in 2016, and we saw a 40% lift in the traffic to their site.

As we keep a close eye on these high-level metrics, we also like to say in touch with our brokers to understand how Zap's impacting their brokerage. We recently dedicated a study with the ERA Wilder, who's one of our flagship brokerages. ERA Wilder saw some impressive results through using the platform. They saw huge increase in their digital presence. The leads that the Zap platform generated for them were double what their company was generating previously. Mobile engagement and usage of the platform went up 5x. And the leads they were generating were also -- generated a lower cost. Most importantly for Wilder, they saw a 28% year-over-year increase in their closed units.

So in conclusion, Zap is a different type of technology and a platform for real estate agents and brokers. Our core platform that we focused on is made up of consumer products, business products, deep integration to their learning platform, an API layer that supports integrations and our data platform. As I mentioned, this integration layer will allow us to connect with partners across the industry that will drive value and add breadth and depth to the level of services that we offer to our agents and brokers.

Additionally, we've been able to realize a number of somewhat unexpected benefits from the Zap platform. Some of these are things like enhanced relationships to our affinity partners, like USAA. We've seen a reduction in some of our technology investments and costs and have been able to focus our technology investment more effectively, driving better products at a lower cost. We've also been able to drive leads and a number of other valuable services to our agents and brokers. So in conclusion, that is lot of the value that we've been able to see from our -- the Zap platform.

And we're going to take a break now for 15 minutes, and we will be back at 10:30. So thank you all very much.

(Break)

Alicia Swift

Great. Thank you. And now it's my pleasure to introduce Kevin Kelleher, President and CEO of Cartus.

Kevin J. Kelleher - *Cartus Corporation - CEO, President and Director*

Good morning, and thank you, Alicia. Being the first after the break, I'm going to take the suspense out of what you're all wondering and thinking of what's Cartus all about. So I'm just going to tell you to start, and then we'll go to my slides. I'm going to tell what relo is and what we do. I'm going to tell you what affinity is and what we do. I'm going to talk quickly about the revenue drivers. I'm going to stress a unique feature about

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Cartus, which is the Cartus broker networks. So when you hear that, you'll know. Pay attention, that's important. I'm going to talk about service satisfaction, I'm going to brag for a second, because we're pretty good at it. And then the last slide is going to really wrap it all up, and I'm going to talk about why we're important to this family. But I'm going to give you the answer, because we're a freaking lead machine. So you're going to hear that throughout the entire presentation. I want you to just focus on that and understand and appreciate it. At the end of these next 10 minutes, that should be the message that you take away.

So let me talk a little bit about Cartus at a very high level. We're a global provider of outsourced services with about 2,800 employees worldwide. Now what does that mean? We help corporations, which we call our clients, move their employees, which we call our customers, either within countries or across the globe. And we did that last year for about 163,000 customers, and in about just under a 150 countries.

Clients purchase a broad suite of services from Cartus, from policy consulting, and we currently manage about 15,000 policies for corporations. They purchase household goods. They purchase temporary living. Everything that was driven by the policy, and that's the eligibility factor that allows us to provide services to the employee. If you look at the logos on the bottom of the slide, they're about a few of over 800 active clients that we work with today. ExxonMobil has been a client for just about 34 years; GE, since 1991. And last year, we moved over 10,000 people for just those 2 and over 25,500 employees for just those that you see on the bottom of the slide.

And at the center of what we do and why we're an integral component of Realogy business model and one of the most important takeaways from my comments, I teed this up in the beginning, we manage residential, real estate transactions and generate significant leads and close transactions for the Realogy brands. These leads are extremely highly coveted, and in fact, I think in the opening video, one of the agents says they're a gift. They're extremely highly coveted.

They're delivered to NRT and franchisees that are members of the Cartus broker network, which is a very select group of just about 425 NRT and franchise companies that totally dedicate resources to addressing and exceeding the exceedingly exceptionally high standards and results that everyone of our clients demand. And even more specific about the broker network, the member firms all have designated A team agents, just over 23,000 of them, that are background-checked, trained and have received designations and certifications from Cartus and from our clients in order to qualify them and make them eligible to receive these leads that we provide. So that's Cartus relo.

Now let's take a look at Cartus, the affinity company. We founded this product about 27 years ago. It capitalizes on our differentiated and proven strength and the strength of our Cartus broker network, and that is managing, again, residential real estate transactions for the highest levels of customer satisfaction and conversion. Affinity organizations, you've heard several people already mentioned USAA, USAA, Navy Federal Credit Union, AARP, and just over -- about 30 other institutions, financial institutions and membership organizations have partnered with Cartus and created private label real estate programs that are marketed to their members with a value proposition of delivering a unique, one-of-a-kind concierge service to help their members and customers buy, sell and, in many cases, finance real estate transactions.

Unlike relocation where the employer is sponsoring the move, in Cartus' affinity services, the customers moving on their own. So perhaps, it's a job-related move, but it's their nickel. It could be that they're moving up due to family growth. They're downsizing. They're disposing of parents' properties. They're renters becoming first-time buyers, whatever the case may be. But they're doing it on their own. Why is it attractive to the client? The organization that is offering this program to its membership was proven to be an experience that's far greater in performance and satisfaction that a customer might hope to receive on their own in the pure retail environment, and it is delivered through the Cartus broker network of certified companies and A team agents, again, creating a concierge delivery.

Service experience is exceptional .It has to be. We're viewed as an extension of the client, and we're delivering on their promise to their members that they'll receive the highest levels of service. And that promise is obviously one that's entrenched in a factor of loyalty from all the products and services that they buy from that credit union or from USAA or any other organization, and we cannot fracture that. Because a lack of performance on the part of us will not only -- or on the part of the agent and the brokerage firm will clearly disrupt a relationship that, that organization has with its members. And I think the key factor to realize as well, there's a bonus. The customer receives cash-back after successfully completing the buy or sell transaction. We're very proud to have serviced, in 27 years, 660,000 buyers and sellers and given back over $600 million in cash back to every successful buy and sell side close.

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Let's take a look now number three, which is the key revenue drivers. Corporate clients, those logos that were displayed on Slide 1, they authorize Cartus to counsel and deliver products and services that are all contractually agreed to and reflected in their specific policies. I mentioned earlier that we manage about 15,000. The policies dictate when an employee is eligible, and the family is eligible to receive. Our largest clients have anywhere from 80 to a 100 active policies, and they address the ever-changing mix of move types, homeowners, renters, those that just receive a lump sum of money, long-term expats, short-term expats, repats, extended business travelers, temporary assignments. The list go on and on and on. Clients pay Cartus, a transactional fee for managing all this, but those fees are small in comparison to the total cost of a relocation for that client.

The next 2 areas, commission and referral fees, represent more than half of our revenue. We work with van lines and specialty suppliers. And in 2016, we had over 26,000 domestic U.S. moves, household goods moves, 24,000 international shipments. We manage the movement of 11,390 automobiles. I thought your group would be very interested in knowing we moved 704 pets, 8 boats and 6 wine collections. And we received commission out on all of that. And the real estate transactions that we manage and distribute through the Cartus broker network, we collect a referral fee on each one of those leads that result in a closed transaction.

And then finally, we also generate other revenue from interest on funds that we dispersed to transferees on behalf of our clients and some policy advisory fees and other ancillary services.

So we've talked a little bit now about the channels, the relocation channel, the affinity channel and the broker side of our business. The thing that I want to make sure you all take away, Cartus leads are highly coveted to agents because they convert at a rate that outpaces all the other channels and they create agent compensation, but equally important to the brokers, Cartus business is a proven tool in recruiting and retaining agents. And we've talked some how these first 2 channels provide the opportunity to distribute those leads.

Corporate employees moving, because their employers are -- need their skills in a new location. So Cartus guides them to the right firm and the right A team agent, and we ensure that they'll deliver the highest levels of service.

Affinity, again, individuals moving on their own, relying on trust and confidence that we have selected the best firms and the best agents for them, concierge delivery.

And the third area, and the unique feature that I mentioned the very beginning, is broker to broker. 23,000 agents, working exceptionally hard to earn and keep the right to receive Cartus leads. So there's a turn with the lack of performance. A team agents have their own customer base as well. And beyond what Cartus directs to them, I think we talked about sphere of influence before, we accept or we expect that they will also seek to provide the skill and expertise of other A team agents in the locations in which their customer is moving too. So agents in the Cartus broker network that are located in the customer's new destination have a much higher rate and frequency of converting that lead into a closed transaction, and it actually tracks out at about double the market rate.

So 3 distinct channels, each possessing strategic growth opportunities at Cartus and what we're extremely focused on in each one of them and, again, that important factor of lead generation: aggressively grow our corporate and client base to create more U.S. domestic opportunity and drive leads to agents, dramatically expand our existing affinity relationships and bring new affinity relationships into the equation, drive incremental leads and growth to our firms and to our agents and continue to provide exceptional quality at the agent level across the U.S. in order to ensure that Cartus brokers and agents are continually influenced by performance to drive leads to their colleagues across the country.

I said we'd brag quickly about service. I know I've mentioned satisfaction several times. But we serve all industry segments, as you can see in the middle of the graphic, and each has its own unique set of characteristics. Some of our clients are extremely cost-conscious, others promoting flexibility and very open to exceptions to policy. Today, most important, emerging markets talent acquisition, supply chain management, risk and compliance control and advice being given to clients is critical. But the one expectation that every segment has is exceptional service, and we're very, very proud and very, very fortunate to be demonstrating the continued upward trend on service satisfaction. We're performing at 5-year highs right now. In 2016, this was the foundation of Cartus retaining or growing over 570 client engagements. And through the first half of 2017, that's resulted in another 300 clients that have rewarded us with growth and confidence.

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And I do want to draw your attention, if I can, to the right side of the slide. And that category -- or in the category of large relocation companies across the entire global mobility industry, we were overwhelmingly recognized as #1 by customers and clients last year, most notably because of responsiveness, supplier management, value for price paid, cost management, our global footprint, our discipline and our scalability. And if you just look down at the bottom there, you'll see 2 iconic names, Boeing and Microsoft. Both of those organizations recognized us in 2016 with their Supplier of the Year Award amazing accomplishments, in fact, because each one of those organizations work with over 10,000 suppliers each, and we're selected as top provider. So we're very, very proud of that.

Our next slide, I think it's our wrap, Cartus provides Realogy agents with extraordinary value. When we think of Cartus, we oftentimes think of a relocation company, and rightfully so, because about 80% of our revenue comes from relocation. But as I pointed out a couple of times now, we're a lead machine. We create and grow relationships with clients that generate high-quality real estate leads that we distribute to highly qualified, highly motivated Realogy agents. And we partner with Realogy brokers to establish levels of performance, both of the firm and of their agents, to deliver unmatched concierge service and lead conversion that is more than 10x greater than any other channel and delivers an additional $33 million in operating EBITDA. So when -- I think when you put these 2 things together, I trust it becomes very clear as to our role in the value circle and the importance that we play to our sister companies throughout Realogy. So I'm very excited about our future.

I appreciate the time to share with you what I'm very proud of here this morning, and it's now my privilege to introduce Don Casey, the CEO of TRG.

Donald J. Casey - *Title Resource Group, LLC - CEO and President*

So Kevin described Cartus as a lead machine, I guess the easiest way to describe TRG is the closing machine then, right?

So this first slide provides an overview of TRG. We're comprised of 4 business channels, our direct operations consist of over 400 branch offices, many of which are collocated within NRT office space. Our national footprint is almost identical to that of NRT's, as Bruce showed earlier, with a few exceptions. While NRT is the focus of many of our sales efforts, we do operate full-service title agencies and, last year, generated over 55% of our closings were -- came from third-party or unaffiliated sources. This is the largest channel, and it contributed 62% of our EBITDA last year.

We also own our own underwriter, Title Resources. Owning and operating our own underwriter is strategic, and it's also defensive from the standpoint which we don't have to rely and count on other underwriters who compete with us in the local markets through their own direct operations. We're currently the seventh largest underwriter, licensed in 30 states and primarily service our own direct operations. We do also maintain strong relationships with the select group of real estate-owned title agencies. By working with this select group of agents and controlling the quality of our work, we've been able to maintain a below-market claims rate of 2%. Title Resources contributed 26% of our earnings last year.

Our third channel is our lender channel, which provides refinance, title and settlement services for lenders nationally. Last year, this channel contributed 8% of our earnings.

And lastly, our relocation channel, which provides title services to Cartus transferees with a heavy emphasis on service, which is critical, as Kevin just pointed out. Each relocation provides us with an opportunity to earn business on both departure and the destination side of each move.

Turning to our strategic pillars. Our strategy is really summarized into 3 -- or 5 strategic pillars. First, capitalizing on Realogy's value circle, which continues to grow with NRT's success in recruiting and retaining agents, with the key metric being NRT capture rates. Our collocated offices allow us to be a vital component of that office structure and provides a unique ability to develop strong relationships with NRT agents.

Second, diversifying our revenue sources. I mentioned earlier our sales focus and emphasis on third-party unaffiliated business. We made the a decision to maintain our local brand names and operate as -- and not operate as Coldwell Banker title in that, that would impact our ability to -- our sales efforts. We're also expanding our lender channel, attracting regional and national lenders to handle the refinance and home equity business. And we recently announced the launch of TRG Commercial, which will allow us to leverage the commercial expertise we currently have in our own direct operations and capture business nationally with existing clients while we also attract new business.

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Our next strategic pillar is to grow our underwriting premiums through our direct operations as well as the some large high-quality independent title agencies while carefully managing the risk. We had some great success developing relationships with many of the largest real estate-affiliated title agencies in the country. We've developed a strong reputation as the underwriter to the real estate community.

We'll continue to opportunistically and strategically acquire companies that expand our sales coverage to NRT as well as our geographic mix. Our latest acquisition in New York is a perfect example of our need to expand sales coverage for Corcoran, and it also provides us with the important commercial footprint in New York.

And finally, leveraging technology. To enhance communication and streamline the customer and agent experience is another advantage of ours. We work closely with NRT to integrate our systems, allowing up for efficiencies and a much smoother settlement process.

So every few years, NAR conduct surveys on customer preferences for real estate services. The trends are very favorable, 53% of consumers said they would be more likely to consider a firm affiliated with their real estate agent. This is a unique advantage we have over many of our competitors. While some regional real estate firms offered title and mortgage services, no one does it on a national scale as we do. When selected home buying services, mortgage and title 50% of consumers use one referral source. And what's most encouraging 74% of consumers stated one-stop shopping made the home buying process more efficient and manageable. But I think the real takeaway from this slide is our ability to deliver a seamless closing experience, which is really the memorable part of a home buying process really positions our agents as the trusted adviser in the real estate transaction. So as the NAR survey confirms, real estate agents have a strong influence with consumers. 72% prefer a Title company that's affiliated with their real estate agent. This is the basis of our core business model. Our focus is centered on creating a strong and unique value proposition for our agents. It starts with REAL Source, where we've partnered to arm our agents with a latest content, and industry-related topics, which can be shared with our customers. REAL Source use our trainings, school, which offers a full menu of training classes, including continuing education credits. PRO 24/7 is an online farming tool. TITLE! SNAPs and another app that we created allowing agents and consumers to calculate the exact cost for a buyer or a seller associated with the transaction. safe app is also something that we created to securely communicate wire instructions, which is an industry-wide challenge. CORE is our digital platform, for Title enclosing, which enables communication and document management. And most importantly, standardizes how we do business, which prepares us all for the digital future.

All of this and our collocated branch structure allows for a high-touch seamless closing experience. The agent sits in the middle of our value proposition with the goal of building that agents reputation throughout their marketplace.

Now turning to mortgage. Realogy has been providing mortgage offering for well over 20 years, and we feel it's a critical product for agents to have access to in-house. Earlier this year, we announced the change of partners from PHH to Guaranteed Rate. You know there were some key factors, which really attracted us to them. Guaranteed Rate is a top 10 mortgage originator with a proven track record of steady growth. Their originations grew from 6.7 billion in 2011 to just shy of 23 billion last year. And a 240% growth in market share. Their size will allow us to offer very competitive rates and an enhanced product menu. We will see improved recruiting and retention of loan officers with coverage of NRT offices being just an important element to our success. Their cutting-edge technology and ability to offer a fully digital mortgage product will fit nicely with our current technology and future plans. And lastly, their emphasis on service, reflective in their Net Promoter Score of 79, there is nothing more important than service. You heard Kevin talk about that. This is a critical piece of the one-stop shopping experience.

Our transition to Guaranteed Rate is underway. The Midwest region successfully transitioned earlier this week, and we expect the remaining 4 regions to be completed between now and the fourth quarter. So we're very uniquely positioned to create value for our real estate agent and their customer. So as a survey show, we see customer preference for one-stop shopping continuing to grow. TRG is the best position title company to capitalize on this trend as we further streamline the closing process. With the transition to GRA, we're creating an even better one-stop shopping experience, which will further enhance our value proposition to our agents. And in closing, we have all the components to create a best-in-class home buying experience for agents and their customers. Thank you. So at this point, you could clap. At this point, I want to turn things over to Tony Hull, our Treasurer and CFO.

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Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Thanks, Don, and good morning, everybody. It's clear that the most important drivers of our business are the number of transactions and average sales price at a macro level. And broker commission rate and usage of agents in terms of driving our revenue. What you've seen throughout today's presentations, there is tremendous value that our scale brings when we leverage the assets of each of our businesses at One Realogy.

Before I review with you some detail on our financial performance and projections for the year, I'd like to step back and share a macro perspective on the market, and while we believe the housing industry is poised for continued solid growth. Since our spinoff in 2006, not a quarter has gone by without Richard and I receiving questions about the facts on this page. Every year, we hear predictions about -- and presumptions about the inevitable disruption of our business model. However, while we are always concerned about any new models that could meaningfully impact us, we've yet to see any statistics from these 3 charts or any other sources that indicate any change to our core revenue drivers.

Having said that, there are many things that we worry about. And you remind us of them every quarter. And they directly affect our revenue and profitability. Those are things like commission splits, net effective royalty rates, market share, productivity and above all the broader housing market. But it's important that we run through these 3 facts and clarify the sustainability of our business model. From left to right. Last year, we estimated there were $70 billion of commissions paid for the 5.5 million existing homes that changed hands in United States, that's a large addressable market. That number is fluctuated during the housing cycles, as you can see, peaking at $85 billion in 2005, and dropping as low as $43 billion in 2011. And a 17% share between NRT and our franchisees, Realogy represented the largest piece of the market by any participant in 2016. From 2002 to 2016, commission rates for the industry were remarkably flat, ending last year at 5.12% for the industry overall. We continue to believe that the biggest driver of fluctuations to this numbers is higher average sales price, which we would expect to put a basis point or 2 of downward pressure on commission rates annually.

Finally, during perhaps the most transformational technological period in history. Buyer and seller usage of an agent has actually gone up quite dramatically. From 79% to 88% in the case of sellers and from 69% to 88% in the case of buyer usage over the past 15 years. While we can't predict the future, it's clear that this model is very ingrained institutionally across the country, and we believe it's for a very good reason. Given the unparalleled value that real estate agents provide as a trusted adviser to their customers during the most important transaction of their lives. Since 2012, existing home sale transaction volume has grown to the 10% CAGR. This growth has come despite low-inventory and high-credit underwriting standards as you can see here. On the left side, strong demand has driven inventory down to 4.3 months of supply. We believe that this low-inventory level is also result of lack of recovery of new home construction since the recession as well as a rebuilding process of home equity that many cases was pushed into negative territory during that same period. Difficult mortgage underwriting standards post-recession have also hampered inventory levels and unit growth.

As shown on the right, since 2010, about 70% of mortgage origination was at FICO scores of 740 and above. In 2001, it was closer to 40%. Tougher underwriting standards have probably slowed the velocity of transactions and lowered inventory's level -- inventory levels as concerns about obtaining a mortgage has impacted mobility. The good news is that strong demand, coupled with tight inventory has increased average home prices. Over the next few years, we would expect higher prices to unlock inventory and ease that constraint. This trend, along with ongoing slow easing of underwriting standards and ever higher rental costs should help improve the number of annual transactions to a more normalized level.

The current obstacles to homeownership also indicate to us that the recent market growth even in the mid- to high single-digit range is a long way to go. There is a lot of data here on this slide, but one piece that sticks out is that last year's 5.5 million units is about the same number of transactions that occurred in 2001 and 2002 on average. But that number -- but the number of overall households has grown by about 15 million since 2001, 2002. We see these trend is positive sign for the housing market both in the near term and the longer term.

For the near term, this is confirmed by the forecasts, currently for 2018 existing home sale transaction volume is anticipated to grow at 7% year-over-year based on the average of these forecasters. But longer term, there is something really exciting going on that is significant to housing. It's demographics. The nice -- would you like that nice page in demographics. So we are in the midst of a seismic shift as the next 20 years sees the generational transfer from baby boomers to millennials. While there will be an admirable decline in the number of baby boomers households by 2035. The compelling point is that millennial household growth during that time will outstrip that drop by 5 to 1. The results according to the Harvard Center for Joint Housing Studies is over 25 million new net households all, while we expect homeownership among that millennial demographic to nearly double to 63%. And we're already starting to see evidence of this shift towards homeownership of the millennials. For

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example. For the second consecutive quarter, and only the second time in a decade, more new households -- U.S. households chose to buy homes than to rent, suggesting that homeownership among millennials will continue to growth from its current 34% level. The result is a significant pickup of millions of incremental home sale transactions over the medium and long term, which reflects a very positive outlook on the housing market and on our industry.

Now let's turn our attention to our financial results since going public. As indicated on the first line of the slide Realogy's revenue increased 6% on a CAGR basis from 2012 to 2016, driven primarily from the 6% growth in NRT's transaction volume during this period. As you know, NRT contributes the lion's share of the company's revenue. So its results drive overall top line performance. NRT's revenue growth is impacted by its geographically concentrated footprint, and it's not reflective of national trends. That as well as increased competition softness in the high-end markets, particularly impacting 2015 and 2016, impacted NRT's results.

Realogy's operating EBITDA grew to CAGR of 5% during the period and even with the muted operating EBITDA growth, overall margins remained relatively flat, and more importantly, the company generated $1.5 billion of free cash flow. We use this to repay approximately $760 million of debt, including prepayment penalties, and reduce our leverage from 5.9x to 3.8x. We also completed acquisitions totaling $515 million, mostly from 2014 to 2016, including ZipRealty and Coldwell Banker United and we return 225 million of capital to our equity holders last year.

We wanted to provide you a look at the performance of our core real estate businesses during this period, removing the impact of the mortgage joint venture and the numbers. So Slide 85, this slide combines the results of RFG and NRT from 2012 to 2016 into 1 revenue line, so it excludes the impact of intercompany royalties and marketing fees that NRT pays to RFG. As you can see, the revenue CAGR remains at 6% during the period. Again, driven by the results at NRT. Operating EBITDA is similarly combined and you can see that it's growth exceeded revenue at a 9% CAGR, given the high operating leverage of RFG.

Next, I will turn to the first half 2017 results. On this slide, we've similarly combined our core real estate businesses on a separate line. And you can see revenue on the first 6 months increased $200 million compared to the first half of 2016. This increase was due to 9% combined growth in transaction volume with NRT up 10% and RFG up 8%. Operating EBITDA fell $10 million in the first half of the year compared to the last year. This was due to RFG and NRT combined operating EBITDA improving by $9 million offset by the remainder of the company decreasing by $19 million. We believe the improvement in the core real estate business is consistent with what we've been messaging for the past 2 quarters namely, that despite higher commission splits, we expect to post higher absolute levels of revenue and EBITDA. The decline in operating EBITDA of $19 million during the first half of was mainly due to the $8 million litigation reserve and weaker Cartus results of $9 million, due to softness in the international markets experience year-to-date.

Next, we will summarize our full year guidance. For 2017, we currently expect revenue to increase 5% to 7%, primarily from transaction volume growth we forecasted in NRT. This forecast incorporates an expectation that commission rates will drop by about 1 or 2 basis points at RFG, it also incorporates the net effective royalty rates at RFG will be about 4.40% for the year. In terms of operating EBITDA, we are estimating $760 million to $770 million range in 2017, which is net of the legal reserve. This range incorporates expected gain on sale, net of wind down costs from transition from our PHH mortgage joint venture to our new mortgage JV. The full year forecast also reflects investments that we plan to make in executing our strategic initiatives and technology as well as our current view of commission splits for the year. We expect higher absolute contributions from our core real estate segments to be additive to operating EBITDA in the back half of 2017. We are pleased with the strides we're making in our businesses, and we are also pleased with our balance sheet.

Our balance sheet is in great shape. With an all-in cost of debt of 4.8%, and 80% of our debt balances at a fixed rate, given the protection from interest rate swaps. Our debt maturities are well staggered with an average weighted maturity debt profile of 4 years. We also have flexibility with our $1 billion revolver to handle any of our near-term repayment obligations, if needed. Our goal remains to achieve leverage of 3x over the next several years.

Now let's talk about cash flow on Slide 89. In 2016, Realogy generated $457 million of free cash flow. For 2017, due mainly to lower cash interest expense and working capital contributions, we expect to produce $500 million to $530 million of free cash flow. At this rate, we will convert between 66% and 69% of our operating EBITDA into free cash flow. This attracted conversion ratio is aided by our $1.2 billion in NOLs. They are expected to shield taxes in 2017, 2018 and a portion of 2019. That significant cash benefit allows us to accelerate our share repurchase activity, and lower

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our share count faster than otherwise possible. Once we become a full cash taxpayer, we would expect free cash flow conversion in the mid- to high 40% range. For 2017, we expect that we will use $300 million of our free cash flow to repurchase shares and pay dividends as long as we believe that our stock is undervalued. The remainder will be for tuck-in acquisitions, which we currently estimated $50 million, including earnouts and to repay debt.

In conclusion, let me summarize, why we think our equity is an attractive investment. First, Realogy is a major, if not the major player in the $70 billion existing homesale commission market, with what we believe to be a durable economic model that remains predominant for now and the foreseeable future. The market growth in the last couple of years has been driven by strong demand, although hampered by a tight inventory and difficult underwriting standards. We believe that this indicates that the industry growth should continue without interruptions in the mid-to-high single digits in terms of transaction volume growth. Even more interesting in terms of growth prospects is in inevitable and dramatic demographic shift on the horizon from baby boomer home ownership to millennial homeownership that seems just beginning of the ground. Has it picks up, we should benefit from greater transaction velocity, which is a key for us to grow our revenue.

Second NRT and RFG through its franchisees are in the largest share of annual commission dollars, and with our strategies to drive agent recruitment and productivity, which we believe we are best positioned to execute on in the industry. We plan to increase absolute operating EBITDA levels by gaining greater share of a growing commission pool.

Additionally, we expect to capitalize on a growing transaction velocity from our proven engagement in multiple facets of each and every real estate transaction. Finally, we are reasonably -- we are a reasonably priced stock in the current equity market. We turn out strong free cash flow. And for now, we expect to use the bulk of that free cash flow to return capital to our shareholders. We have just scratched the surface on that front and our actions over the past year demonstrated our commitment to the use of the cash flow to buy back stock, while at the same time bringing leverage down.

With our share repurchase efforts over just the past year, we've already reduced our share count from approximately 146 million shares at the end of 2015 to 136 million shares in August of this year. The continued reduction in share count, along with improving operating EBITDA, provides for sustainable growth prospects for our earnings per share. And now we want to spend just a few more minutes crystallizing for you the key elements of our strategy to drive EBITDA and revenue growth over the next several years, and for that I will turn it over to Eric Chesin, who runs our strategy office.

Eric Chesin

Thank you, Tony. And thank you all for your time and attention and patience today. I realized I'm the last thing standing between now and your ability to ask as much questions, so I will keep it brief. I should be clear by now, we're really excited about the growth opportunity that faces us. So I'll just summarize that opportunity, and how we're looking to capitalize on.

The opportunity. The industry outlook is strong. We shared a lot of details so far. Just to summarize it quickly. The demographics that Tony outlined for us, the shift from baby boomers to millennial shows us that the number of transactions through to the future will be strong for us and for our industry. But the next 2 points are what's perhaps most important, and we can't hit it with a harder hammer. The use of agents over the last 15 years despite the transformation in our technology has gone up drastically. We share these numbers 2 or 3x today, I'll share them again.

Last year, 88% of buyers and 88% of sellers use an agent to conduct their transaction and that number went up from 2002 at 69% and 79%, respectively. Now that happened during a 15-year period, where we saw the most transformational technological advancements in our history for our industry and every other industry. And now what does that tell us. It tells us that technology is enabling our agents and solidifying their role as the most important provider of services to people in the most important transaction of their lives, and not just intermediating that. That gives us confidence in our business model, and its sustainability, and tells us that we are in a great position to take advantage of the demographic shift and the growth that we're about to see. So that's why we believe in the industry, now why don't we believe in us.

Why Realogy? Well, these 5 facts outline perhaps everything you've heard over the last few hours about why our company is in a category of 1. Our geographic reach. Last year in the United States alone, we transacted in zip codes that covered 96% of the U.S. population. Our brand equity.

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We are the only company, in a country in the world that's able to claim brands that appeal to every demographic, and claim every price point. You heard John mentioned that range of a $20,000 home to a $200 million home, which was not my home. Thank you, Kevin. And that breadth shows us our ability to play anywhere we want to, anywhere we need to, to provide the value to our agents, and to their consumers. And the cash. Tony just mentioned that we will generate over a $0.5 billion of free cash flow this year. There is no company in our industry that comes anywhere close to that access to capital. And we will continue to use that capital as strategically as we need to, and immediately as we need to capitalize on the opportunities that we see. Now the reference to the value circle can't be emphasized strongly enough. We are the only company to own 2 $0.5 billion companies in TRG and in Cartus, and a JV with a leading mortgage provider in Guaranteed Rate, to allow us to play in the full-value circle from lead generation, all the way through the closing. And that gives us 2 distinct values. One, it better serves our consumers and our agents. As Don mentioned, the trend in one-stop shopping while it continues to show the value that it creates. But also and perhaps more to the point for this group, it allows us to play in the full economics of the transaction in a way that no one else can. And gives us the benefit to profit, most fully and every transaction that takes place. In the last, which is the summary of it all is our scale. We have nearly 200,000 agents across this country who conducted almost 1.5 million transactions last year alone. And what does that mean for us? It means that every dollar we spent, every bit of investment, of our time and our energy in the technology platforms you heard about from Stephen and Jamie, in our leads program, in our learning program, everything we do to serve our agent is divided over a denominator that is scales above anyone else that plays in our space. That gives us the opportunity to invest in our agents, the opportunity to invest in their customers, and the opportunity to invest in us. So what are we doing with that advantage? Well, our strategy is simple. You've heard it, we said it over and over, again, we serve agents, we bring the power of Realogy, and I think I had it memorize.

We bring the power of Realogy to make our agents more productive and their businesses more profitable. The more of the point our strategy is much simpler than that, and it's just 2 numbers. Units per agent, and number of agents. Everything we do. Every action we take, every dollar we spend is centered on increasing those 2 numbers. That's why we centered on the 5 strategic programs you've heard throughout the day. That's why we focus on technology, on leads, on learning, on the local agent services that we provide and on the recruiting platforms that we have. And the math is pretty clear. Reasonable and feasible increase in these 2 numbers will provide outsides growth for our company, which provides outside benefit for our agents, and outsides growth for our shareholders. There is a real power in focus.

Let me share just one example, just to reiterate what you heard earlier. Bruce and Ryan stood up here and told you about a targeted recruiting program that began 9 months ago. In just 9 months, focus only on these 2 numbers, 1 single program generated $215 million of incremental incoming commission revenue for us, which more than doubled the $200 million of recruiting revenue that NRT brings in every year. That is clear focus on 2 numbers, mobilizing hundreds, if not thousands of people all centered around a single goal, and it achieved outsides results. So our approach is sustainable. How are we taking advantage of that one example and every other, it's because we're building programs, pilots, projects, partnerships all that focus on the one thing that makes us unique, which is our scale, and what only Realogy can do. That's the way to win as we focus on our advantage.

Now just a few examples to illustrate the point. You heard John mentioned earlier, we're working with Facebook, together to design and pilot a program to optimize the way our agents use Facebook and Instagram as many tools to market their listings, generate leads, and close deals. We're also building a partnership with IBM Watson, Stephen identified with a terrific story about survey pop-tarts earlier. And we're partnering with IBM to couple the power of Watson with our unparalleled data, a key element to our scale to use machine learning and predictive analytics to help our agents get leads and to help our brokers recruit. And those are just 2 examples, there's much more to come. We're so excited about who we are, what we've done, and what the next number of years will bring. You heard this morning, as Richard tell you, that Realogy is truly greater than the sum of its parts, and as 1 Realogy we are poised for continued and attractive growth. So that concludes the prepared remarks from today. Thank you very much. We'll move on to Q&A. Richard will come up and host and feel free to ask any of us any questions. We're here.

QUESTIONS AND ANSWERS

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

All right. We're going to go right into the Q&A. We will follow Q&A little housekeeping. We'll be willing to webcast after Q&A. So Q&A will run right after webcast or participants will have the benefit of that. We got a lunch, and then we will have this Zap promo following lunch, and we really,

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really hope you stay for that. So we go to-- bear in mind on webcast, make sure your questions are clear and loud. So that we have mics. So we can make sure that we're using the mics, otherwise we're not going to hear you.

Unidentified Participant

I wanted to ask about recruiting. The slide earlier noted that about 51% of agents who were unaffiliated, just wondering where that number was for the -- say 10 years ago where you see that going and sort of characteristics that differentiate unaffiliated agents versus affiliated agents.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Yes, I got in the business in '95. The exact same percentage applied in 1995. It hasn't moved in a material way in a number of years, now the real challenge is the component of that agent population that's productive. And that's the focus and that's the results of our targeted recruiting, but half of the industry has been unaffiliated with the national brand for a long time.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, sir?

Kevin Damien McVeigh - *Deutsche Bank AG, Research Division - Head of Business and Information Services Company Research*

Kevin McVeigh from Deutsche Bank. If you look at kind of the agent production and look to boost that buyback 10%-or-so. Is that incremental market share kind of coming in from competitors? Or where does that incremental step-up in terms of the productivity come from?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

So you can hear from someone other than me. Where is John? John and also Bruce, so may I ask John and Bruce to reply to that.

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

The answer is yes. As we improve productivity, we should been improving our market share.

Bruce G. Zipf - *NRT LLC - CEO and President*

Absolutely.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Bruce, you have anything to add to that.

Bruce G. Zipf - *NRT LLC - CEO and President*

Yes, and that was really the whole strategy behind a targeted recruiting, because if we can bring a greater population of that agent base and you see significant shifts in the market share gain.

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Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, sir? Right here.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Tony Paolone of JPMorgan. Can you give us a little financial detail or economics on the recruiting effort in terms of if you want of NRT's 49,000 agents and you're helping bringing in more folks, what do you get, and also when you go and target some of these top agents from other franchises. What's been the average kind of split that you have to add to whatever they may be will giving to get them over the hump?

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

So I'll give you a little color, and then I'll ask Bruce to comment as well. So the rewards program, which we call internally the 221 program. So the agent making the referral will get 2% of that referred agents production for the first year, 2% of her production the second year and 1% of her production as long as both are still employed by in this case Coldwell Banker. So the beauty of that, is the return on that investment is phenomenal. But what's most interesting about it, it's clear, it's simple, it's concise, every agent understands it. There are similar types of reward programs out there. But they're extremely complex, they're very subjective, and difficult to compute. In our case, it's a very simple math equation and virtually anybody can get there, and stickiness of that program is phenomenal. Bruce, do you want to add to that?

Bruce G. Zipf - *NRT LLC - CEO and President*

Yes. In my remarks, I indicated that on the $145 million we paid out approximately $3 million to our agent base. So think about if we were to acquire a $145 million gross commission income company, there is no way we could buy that for $3 million the multiple just wouldn't work. So if you think about that return, it's probably one of the highest level returns that we can generate from that recruiting effort.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

The average dollar paid to the agent, which we don't think we've disclosed, is a remarkably small number, and remember the investment is in them -- it's to transfer their business from wherever they're working to us. So they view it that way, they view it as us investing in the future of their business. So it's working incredibly well.

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

John Campbell with Stephens. As I think about the recruiting program, you guys are obviously seeing a ton of success and this is kind of falls in line with what the last question to you guys, but as we think about the average all-in kind of industry commission split, is it kind of in that territory of 70% where you guys are going to shake out this year? Or do you think it's modestly lower or higher, just any kind of high-level thoughts there?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

I think our guidance reflects how we view the commission split market. And as you know, we're managing those 70% number. I think that takes into account all of the things you might think about, given the geography, the mix of business, and you know like most people in this room, that a typical agent split in California is very different than the East Coast. And we are in all those markets. So all of that sort of wrapped up, gives us guidance that we're managing to 70% number. Whether that's where the market is or not that's where we are. And we think that's a good and manageable outcome for us. Bruce, do you want to add anything to that?

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Bruce G. Zipf - *NRT LLC - CEO and President*

Yes, as Richard indicated your most productive agents get the highest split. So think about that, but they also provide the greatest incremental benefit to Realogy's EBITDA. And if you think about it even further. If the top 1,000 sales associates were wanted to associated with NRT, we would welcome them with open arms because the productivity that they would generate for our company would be extraordinary. The split would be higher than the 70%, but it will give us extraordinary operating results.

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

I've got to squeeze this. I promise you I'm not looking for 2018 guidance. Tony is there probably screaming. But as we think about the industry average, I think you guys called all-in kind of 7% next year, given the improvements in NRT, given RFG continues to run well, is there any reason as long as the high end, I guess, works also on your favor, any reason you guys shouldn't track kind of in line with that next year from RFG and NRT kind of all-in volume?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, so I'm not going to give you any guidance about next year. Nice try though. Listen, there are so many variables that go into that calculation. The success of the recruiting program, the success of the underlying sort of traditional recruiting and just to paint a picture, not that I'm in anyways suggesting that this is a possibility, but in a slowing market, you start seeing some fairly significant changes to the average split. You know companies want to affiliate with someone who has the balance sheet, the cash flow, to serve as a sort of safe harbor against all challenges. So with the certain advantages that would occur to us in that kind of environment, which we don't like to theorize as to what that feels like. We know what that felt like during the 2006 to 2010 time frame. We did manage it extraordinarily well, and we would like the outcome. Now as I said, I don't think that's what's on the horizon. I think what's on the horizon is a very robust market, talent is expensive. And we think of agents in that regard, they are highly talented and those are the people we're targeting in our very targeted recruiting. And listen, we're going to be very aggressive in how we manage that, not only this year, but next year. So jury is still out, but we're optimistic that next year could be similar to this year. But again, we don't know.

Yes, sir?

Jason Scott Deleeuw - *Piper Jaffray Companies, Research Division - VP and Senior Research Analyst*

Jason Deleeuw, Piper Jaffray. I want to touch on the agent productivity and the margins, again, we have more productive agents to targeted recruits, so productivity is much higher. And -- but we are paying them the higher split, but you're saying, we do get more EBITDA, but what about the margins? If we have a bigger mix of these higher productive agents, shouldn't the sustainable margin profile of overall Realogy, NRT, RFG combined, shouldn't those margins be higher also? Is that a fair way to think about it?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

So this could be -- I'm going to give you a little color, and I want a 2 part. Where's Tony? Tony didn't leave us, he's here, still here. So between Tony and Bruce, I want to respond a part of that. So let me just give you a little background on the different stream of targeted recruit and the traditional recruit, because it's a very important distinction. So that the additional recruit, the farm team, if you will, is going to come in at very favorable splits to us, they're inexperienced, they're learning the business, they're building their business, and she's going to have very different expectations of us than a top-producing agent we might recruit that is in a very much higher profile. They're literally in the top 20%. They're going to bring certain demands to the table that they earn the right to make. So long term, the mix of business will be very relevant as to our margin expansion. The simple answer is yes, margin expansion should occur. And I'm going to let these 2 gentlemen give you a little more color.

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Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

Well, I agree with that simple answer is, if we can -- the focus now is increasing revenue and increasing absolute levels of EBITDA, it's less about margin. But I think over time as we build in this target recruiting programs year after year after year, we're going to see some occupancy advantages where currently we're at 65% occupancy of our offices. If we keep recruiting 2,000 agents, net new agents a year, the occupancy cost or the occupancy efficiency is going to improve and that's going to result in some operating leverage, but that's over time. I mean, again, right now, we're focused on getting the revenue up in the absolute level of EBITDA. Bruce?

Bruce G. Zipf - *NRT LLC - CEO and President*

Yes. To Tony's point, if you think about the operating expenses and at NRT, they're relatively fixed outside of the commission expense. And to Tony's point, with brick-and-mortar, payroll and marketing they're relatively fixed cost. And by leveraging these productive agent base, and generating the kind of gross profit we can. And with the fixed cost being what they are. The absolute dollar bottom line will improve. And accordingly, the margin will ultimately improve, too.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

All right. Any other questions? Yes, sir. Tony? I'm sorry, Anthony.

Unidentified Participant

Yes, that's okay. So the statistics that 3x to 4x improvement in website traffic with the Zap enabled websites, big number. Any way to bridge that with the idea of getting that one more side on the productivity side? It would just seem like, given how people shop for the real estate 3x to 4x is a big number like that extra side should be allowed.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

It is. So let me just make one comment, and then I'll give it to John. But what is fascinating about our business, the headline grabbers to your point are very much focused on web-based traffic. Web-based traffic represents a very small percentage of the typical agent's production. Again, the sphere of influence is far more compelling, and you'll see that materialize in not only our numbers, but how the industry really thinks about this. Is it growing? Yes. But it's still growing off of a very low base, but it's growing at a very slow rate. So that said, we agree with you. There is the incremental gains and increasing traffic, and this is traffic to the brand websites. It is always about the quality of the lead. Always. Web-based leads closed at a very low rate. I won't name many of the media channels, but -- because I don't want to pick on anybody, some of them were public companies. They literally have a closure rate of half of 1%, think about the money that's invested and generating that traffic. And your closure rate is half of 1%. It makes for a great media channel and you get a lot of exposure, a lot of benefit in that, but your closure rate is remarkably low as compared to Cartus. We have components of Cartus that have an 80% closure rate. Some of our affinity partners are closing at 30% and 40%, which is mammoth compared to half a point of web-based traffic. So this is -- industry is not about web-based traffic. It's emerging, it's far more compelling, it's interesting, we've spent a lot of time and a lot of focus and a lot of capital, making sure we're staying ahead of the game, but the sources like affinity, the sources like Cartus, are far, far more compelling, and far more relevant to that bottom line. But anyway, that's it, John. I don't want to anyway diminish what's John is doing. Because he's got an enormous task ahead of him to convert that traffic into a higher closure rate.

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

Well we all do, we're closing with Zap and NRT. I think to make a bridge between the increase in leads and the production of 1 or 2 sides, it's hard to do for Richard, which is the sphere of influence, right? Because remember the 65%, 66% of an agent's business comes from their sphere of influence. And as Richard said, the leads are not always high quality. So the work that we're really focused on is the work we'd describe with things like using IBM to help us identify the most valuable leads and then to get them to the right agent who can close them. Not many agents are receptive

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to Internet leads, believe it or not. And so we want to get better and better working with our franchisees as well as within NRT of finding a right group of agents to receive those leads and work them. We're also looking at some third party to help us scrub those leads and make sure that we're sending in the most convertible leads that we can.

Anthony E. Hull - *Realogy Holdings Corp. - CFO, EVP and Treasurer*

So the enormous distinction I would make is to focus on Zap and Zap's conversion rates, predictive analytics make it head and shoulders above its competition. It's using data that's been collecting for more than 10 years to put us in a position to have a much higher closure rate on Zap generated leads. So we're very data focused, Jamie when he gets to the promo we'll make -- certainly, you clearly understand the significance of data and predictive analytics to improve the closure rate on web-based leads, which we think we do a better job of that than anybody else.

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, sir?

Unidentified Participant

So on the new franchisees that you've brought over that's -- you've got a pretty good momentum on that side of the business. Wondering if the Zap technology is helping you in making those pitches? And if that is a significant benefit in bringing on new franchisees?

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Thank you very much for that question, and that was not planned. Listen, we've recognized several years ago that what the industry lacked was an integrated platform. Everyone has a website, everyone has as CRM, somebody has a mobile app this and mobile that, they're all managing provider with third parties, none of it integrated. So we were, like most of the industry, searching for that common platform, who had developed an integrated platform? That was a plug and play. You see Xbox, who had the equivalent of the Xbox for our industry. And that was ZipRealty. And when Zip went to market, we saw the wisdom in their strategy that common platform is a first in our industry. No one -- others have talked about it now, they're 5 years behind us. We're well advanced, far beyond anyone's expectations. The platform is free. Now that was a tough decision for us to make, but it's part of the component of that franchise. So one, you're displacing all those third-party expenses, which can amount to thousands and thousands of dollars per office, per franchisee. So that displacement is very valuable to us as far as the value proposition. It makes it possible for them to recruit more agents to make their businesses more profitable. And our side of the business, we sell more franchises, we're retaining franchisees at a higher level, and we're making for more stickiness then even we anticipated. So it's proven to be and it's still going to play out, but it's very, very encouraging. And looks very attractive. John, you want to add to that?

John W. Peyton - *Realogy Holdings Corp. - CEO of Realogy Franchise Group and President of Realogy Franchise Group*

It's very thorough...

Richard A. Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Thank you. So I've been listening to John. All right. Listen, I learned a long time ago on a roadshow on October 12, 2012, whatever year that was '12, it's actually October 11, 2012, never sell pass the close, so if there are no further questions, we are going to close Q&A. I want to make certain that I hope you will stay around for lunch. Immediately following lunch is the promo on Zap. So you can get to know it as well as we know it. And this will conclude the webcast. So for those of you who are joining us by webcast, thank you very much for your time; for those of you who are here in person, we absolutely thank you for your presence. So let's have lunch. Thank you.

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