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# Realogy Holdings Corp. (RLGY)

Q2 2021 Earnings Call

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### Thomas McJoynt-Griffith

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### Ryan McKeveny

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Realogy Holdings Corp. Second Quarter 2021 Earnings Conference Call via Webcast. Today's call is being recorded and a written transcript will be made available in the Investor Information section of the company's website tomorrow. A webcast replay will also be made available on the company's website.

At this time, I would like to turn the conference over to Realogy's Senior Vice President, Alicia Swift. Please go ahead, Alicia.

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### Alicia Swift

*Investor Relations & Senior Vice President-Financial Planning & Analysis, Realogy Holdings Corp.*

Thank you, Lisa. Good morning and welcome to Realogy's second quarter 2021 earnings conference call. On the call with me today are Realogy's CEO and President, Ryan Schneider; and Chief Financial Officer, Charlotte Simonelli.

As shown on slide 3 of the presentation, the company will be making statements about its future results and other forward-looking statements during this call. These statements are based on 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. Including, among others, the ongoing COVID crisis, inventory levels, and other uncertainties related to the continued strength of the housing market. Actual results may differ materially from those expressed or implied in the forward-looking statements.

For those who'll listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, July 29, and have not been updated subsequent to the initial earnings call. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in our earnings release issued today, as well as our Annual and Quarterly SEC filing. Also, certain non-GAAP financial measures will be discussed on this call and, per SEC rules, important information regarding these non-GAAP financial measures is included in our earnings press release.

NAR data referenced during today's call is based on NAR's most recent public estimate which are subject to review and revision. Factors that may impact the comparability of our homesale statistics to NAR are outlined in our Annual and Quarterly Reports filed with the SEC. To help contextualize year-over-year comparisons to 2020 on today's call, just a reminder that due to the COVID crisis, the housing market saw a sharp decline in transaction volume in Q2 2020.

Given this challenge to year-over-year comparisons, we believe it is also helpful to compare certain metrics against 2019. As a reminder, Realogy responded to this transaction volume declines in Q2 2020 with significant temporary cost saving measures, some of which continued into the third quarter of 2020. Those temporary cost saving measures resulted in approximately \$150 million of aggregate savings, with approximately \$100 million recognized in the second quarter of 2020.

Last, the references made to July month-to-date in these remarks reflect data through July 22, 2021. Now, I will turn the call over to our CEO and President, Ryan Schneider.

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## Ryan M. Schneider

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

Thank you, Alicia. Good morning, everyone. Realogy delivered an outstanding second quarter. The unmatched combination of our strategic progress, innovation through technology, and commanding position in the luxury market drove powerful financial results, including significant market share gains. We continued to invest substantially to drive future growth and are making great progress strengthening our balance sheet. Overall, Realogy is leading the industry, delivering powerful results today, and positioning our business for continued success in the future.

Let me start by sharing our outstanding Q2 results. Realogy delivered exceptional profitability with \$310 million of operating EBITDA, up \$135 million year-over-year and up almost \$70 million versus 2019. Realogy demonstrated great transaction volume growth, up 85% year-over-year, substantially above NAR's plus 53%. Realogy outperformed NAR on both unit growth and price growth in both our Brokerage and Franchise businesses. And excitingly, more than half of our volume growth in the quarter was driven by unit growth. Both our Brokerage and Franchise businesses performed extremely well, with Brokerage outpacing Franchise in part driven by a very solid New York City rebound. Realogy gained significant market share in the fourth quarter – for the fourth quarter in a row, ending June at 16.4% on a last 12 months basis.

And as Alicia mentioned, Q2 of 2020 was a pretty unique quarter in the housing industry. Our Q2 2021 volume was up an exciting 41% when you compare to Q2 of 2019. And critically, our balance sheet is in its best position ever as a public company, as a result of our powerful operating performance, disciplined cost management, and opportunistic capital market actions. We ended the quarter with a 2.5x net leverage ratio and over \$850 million in cash. Our exceptionally strong cash flow and balance sheet position gives us strategic flexibility to invest for growth, and we are deploying that flexibility in multiple investments that I will touch on later.

Looking forward, we are energized by the robust open and closed transaction volume already in our pipeline as we enter Q3. So, for example, our closed transaction volume is starting off very strong. July month-to-date is up 20% versus 2020 and up 30% versus 2019. Our open transaction volume also looks great. June was up 20% versus 2020 and up 40% versus 2019, and July month-to-date is up 4% versus 2020 and up 42% versus 2019. And finally, the New York City market is improving, with both Q2 transaction volume and our recent open volume more than double 2020 and above the levels we saw in 2019.

Now, remember, that given the housing surge and our market outperformance in the back half of 2020, year-over-year comparisons in the back half of 2021 will be more difficult. And one way we're seeing that is, in our July numbers, the increased volume is coming from price appreciation instead of unit growth, given how strong unit growth was in July of 2020. But with that backdrop, the fact that our July volume is ahead of last year is incredibly exciting.

Now, beyond the Realogy-specific numbers, the biggest question we get is what are we seeing in the housing market. And bluntly, the biggest thing we're seeing is housing demand staying elevated. Demand for home purchases is substantially outpacing supply. Houses across all price points are selling fast. The percent of multiple offers and above listing price offers both remain high. And frankly, if there was more supply available, we could sell.

Now, the public inventory numbers for June have actually started to trend up a bit. The internal inventory numbers we track are similarly trending up. And we have some early optimism that we are seeing green shoots of increased supply. And finally, while price appreciation has been large, we believe that, unlike 15 years ago, the large price increases we're seeing today are not speculation; they represent real demand for housing.

So, having saved one of the most important topics for last, let me update you of some very exciting new growth vectors. So, first, we remain extremely enthusiastic about RealSure. Remember, RealSure is our joint venture with Home Partners of America that helps customers sell their existing home and/or buy their next home backed by a guaranteed cash offer. For those of you new to RealSure, it is architected differently from traditional iBuyers, with greater focus on winning listings and supporting agents. We continue to invest substantially in RealSure because of our encouraging early results.

We really like the results we're seeing. RealSure is a competitive advantage helping us win listings that we monetize in our traditional business. And RealSure appeals to customers because it's structured with a 45-day cash offer and is paired with one of our great agents focused on selling their house to help our customers get top dollar. And with the structure, the joint venture is buying fewer homes than the public benchmarks, and we really think we've got a winner here.

Now, second, our excitement's accelerating in our operational progress. We're now operating at scale in 21 markets versus 13 markets three months ago. And we are now in the market with direct-to-consumer marketing for RealSure to build RealSure brand awareness and, more importantly, to acquire RealSure customers. And while our core RealSure product in the market today is focused on sellers, our vision is to expand to support buyers as part of the RealSure value proposition.

Now, stepping back from this RealSure product. Let me share two related topics for Realogy and Home Partners of America. As we've been doing in our core business, we remain very focused with HPA capturing broader transaction economics as part of the home buying and selling process. And to that end, Realogy and HPA have started and are operating an already profitable Title business named REALtech to support our efforts together. And finally, Home Partners of America was acquired by Blackstone earlier this month. We're excited about this

and what it means for our joint venture, and we view it as a vote of confidence. We look forward to continuing our work with HPA.

And shifting to another compelling growth area, our luxury business grew substantially above our overall volume numbers in both the quarter and the past year with Sotheby's International Realty, our number one performing brand and now the fifth largest brand in all of US residential real estate. Our Corcoran owned Brokerage business earned the number one Real Deal ranking in New York City for 2020, and our Corcoran Franchise business expanded to seven new geographies since we last spoke.

And finally, if you look across Sotheby's International Realty, Corcoran, and Coldwell Banker, we continue to lead the industry in \$1 million-plus transactions. And within these businesses, we've been setting records for the number of \$1 million-plus and \$10 million-plus transactions in our portfolio. And given our leadership position in luxury and our strategic optimism about the luxury market, we are investing to grow our luxury brands domestically and internationally to provide unique and differentiated luxury technology and to expand our industry-leading domestic and international luxury referral networks.

Now, finally, we remain very focused investing in technology and product innovation. We are very excited about our open architecture approach to technology which, we believe, is a competitive differentiator. And we've spoken to you before about some of the great products we developed internally and great products others have built that we are integrating into our open technology ecosystem.

One thing we haven't discussed lately is our data progress, in particular, how we're using our industry-leading data scale and AI to generate powerful insights. The Wall Street Journal recently wrote about some of the various AI models we've built, and these and other data-driven analytic tools remain a critical area we're investing in to help us run the company better and to provide data-driven products with the goal to make our agents and brokers more productive.

So, wrapping up, I'm incredibly excited about our outstanding second quarter financial results; our sizable market share gains; our continued strategic progress, especially with tech and data innovation; and our balance sheet execution. We are passionate about the investments we are making to drive even more growth in the future. And looking ahead, we really like the momentum from our Q2 and July month-to-date results. And obviously, we like the strong demand for housing we're seeing. We believe our future is bright.

And I will now turn the call over to Charlotte.

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## **Charlotte C. Simonelli**

*Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.*

Thank you, Ryan. Good morning, everyone. Realogy is firing on all cylinders. We kicked off 2021 with impressive Q1 results, and this momentum has continued into Q2. We executed well on our winning value proposition, delivered \$310 million in operating EBITDA, and once again drove market share gains. We continue to improve our balance sheet with compelling free cash flow generation of \$243 million and we achieved our lowest net leverage at 2.5 times. We capitalized on our strong momentum and favorable market conditions to raise capital at a significantly lower cost with our exchangeable bond offering.

So, let's touch more on these great Q2 results. Second quarter revenue was \$2.3 billion, an increase of \$1 billion versus 2020. Operating EBITDA in Q2 set a record at \$310 million, an increase of \$135 million versus 2020. Operating EBITDA growth was especially impressive, as we lapped approximately \$100 million in temporary cost savings taken amid the pandemic in Q2 last year. We are effectively managing the bottom line and operating

margins across our business, and expanded margin at both RBG and RFG in spite of last year's temporary savings.

Realogy Brokerage Group revenue was \$1.8 billion, up \$858 million versus prior year, driven by exceptional volume growth, up 96% versus prior year. RBG operating EBITDA was \$70 million, an increase of \$55 million versus prior year. RBG continued to generate substantial operating EBITDA of \$187 million before the transfer of intercompany royalties and marketing fees paid to our Franchise business. We saw operating leverage as outstanding volume growth drove margin expansion year-over-year, despite lapping sizable temporary cost savings. We grew our own Brokerage agent base 4% year-over-year and retention remains strong.

Our leading position in the luxury market and the ongoing New York City rebound truly position us well. Record-setting transaction volume, ongoing investment in recruiting and retention, and agent mix drove commission split up 212 basis points in the quarter. Additionally, business mix drove commissions up 78 basis points due predominantly to the sale of our property management business and timing on our new development business. Overall, we like the investments we are making in our agents, which are driving impressive results and market share gains.

Realogy Franchise Group revenue, which includes Leads and Relocation, was \$347 million, up \$120 million versus prior year. The Franchise business delivered transaction volume growth up 80% versus prior year, and net royalty per side of \$418, up \$94 versus prior year. RFG operating EBITDA was \$224 million, an increase of \$99 million versus prior year, as this business also continues to drive powerful operating leverage. We love our Franchise business, its national scale, strong and diverse brands, and recurring royalty streams.

Realogy Title Group revenue with \$255 million, up \$95 million versus prior year, driven by strengths in core title operations as increased purchase volumes offset slowing refinanced units. Title operating EBITDA was \$55 million, a decrease of \$6 million versus prior year due primarily to the decline of \$27 million in our mortgage JV. Excluding our mortgage JV, operating EBITDA was up \$21 million year-over-year. In title agency, we benefited from growth across the portfolio and greater digital adoption. We also saw sizable EBITDA growth in our underwriter business, which is up approximately 100% in the quarter, as we continue to further grow and leverage the power of this fully-scaled platform.

In the mortgage JV, purchase volume remained strong with June, our largest purchase unit and funding month on record. We also remain focused on growing our portfolio of high-quality loan officers. However, refi volumes slowed in the quarter and gain-on-sale margins declined with more competitive pricing industry-wide. In addition, the mark-to-market adjustments on the mortgage loan pipeline, consistent with the move in interest rates, was negative in Q2 2021 compared with a positive adjustment in Q2 2020, which was a net negative \$19 million impact year-over-year.

While refi volumes are still up considerably versus 2019, we do expect softer refi volumes to continue when compared to 2020. We remain focused on cost efficiency and are driving sustainable improvement in our fixed cost base despite elevated variable costs associated with higher volumes. We are delivering on the \$80 million and permanent cost savings we outlined for 2021, with \$70 million or approximately 85% of this target already actioned and approximately \$50 million realized year-to-date.

We exited the quarter with our strongest balance sheet and liquidity yet. Net leverage was 2.5 times and our senior secured leverage ratio was 0 times as of June 30, our lowest levels since going public in 2012. Q2 free cash flow was \$243 million, up \$196 million versus prior year and we continue to have a \$0 balance on our revolver.

We are effectively managing our debt portfolio and have made considerable headway over the past year. Taking a step back, since the end of 2019, we took advantage of market conditions and refinanced over \$1 billion across four debt transactions, reduced net debt by approximately \$600 million, lowered our leverage ratio by over 2 turns, and shifted more to unsecured debt while extending our maturities. In April, we used cash on hand to pay down \$150 million of the Term Loan B Facility. And in June, we issued \$403 million of exchangeable notes at a 0.25% coupon, which gives us even further financial flexibility.

We exited Q2 with \$859 million in cash, including statutory cash and net proceeds from the exchangeable notes. And we expect to utilize this cash towards our priorities, which are to invest in the business and pay down debt. And I remain confident in our ability to satisfy our near-term maturities.

In closing, Realogy, again, achieved outstanding financial results. Over the past year, we have shown tremendous quality and consistency in our financial performance, which is a direct result of our strategic execution, disciplined investments, and tight cost management. Realogy's momentum is strong and I am extremely proud of what we have delivered, both in the balance sheet and the P&L.

And with that, we are happy to take your questions.

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## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Your first question comes from the line of Tommy McJoynt-Griffith with KBW.

**Thomas McJoynt-Griffith**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Hey, guys. Good morning. Thanks for taking my question. So, when you guys parse out the existing home sale data by price point, we see the stronger trends really at the higher-end of the price buckets. So, how sustainable do you think that is in the luxury spectrum? And then, do you sense that any of that was either kind of delayed transactions from prior periods or any pull-forward from future periods?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

So, great question. Look, we haven't – we don't really think there's much in the pull-forward or delayed transactions bucket. We've been seeing the trend you're talking about now for basically a year. A year ago, there was a little bit of kind of one-time stuff with the vacation homes surge but we don't see that happening.

And, look, we've got leadership in the luxury market like I talked about. So, we – obviously, that's one of the reasons we're benefiting here and we're really excited about it. We don't see the trend for that segment being different than the rest of the market. And, frankly, I do expect it to continue to outperform a bit because, if you think about some of the things that are driving the higher consumer demand, one of the bigger ones is obviously the more remote work kind of thing. And bluntly, that skews to the higher-end of the labor market.

And so, a lot more of the folks who are potential luxury buyers are going through the potential for change here in the market based off of things like remote work and even some of the rotation into the suburbs from the cities. So, it's been a pretty consistent trend now for a year and I think it's got some legs to it. And obviously, we're very well-positioned with our luxury leadership to benefit from it as you saw in our results.

**Thomas McJoynt-Griffith**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Great. Thanks for that. And switching over, we've seen some of your competitors announce partnerships or JVs with mortgage lenders suggesting that this kind of adjacent revenue opportunity is a focal point of your market. Can you just talk about the GRA JV and what you can do to kind of drive attachment rates there, growth, and ultimately earnings contribution?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Well, look, I mean, Tommy, the \$126 million we made last year, I think, kind of speaks for itself. So, why don't we just start with that? And, look, we've been talking to you for about three years about our effort to build a mortgage business and everybody in this industry either has or should have a mortgage business. It's clearly an important thing. And we've built the business in three years with over 500 loan officers covering our Brokerages offering. I've talked about our FlashClose technology that our JV uses, that helps accelerate the growth in this business. It helped us capture more of those economics.

And so – but for us, by the way, you should know, and this is where we differ from most of the competition. It's not just mortgage, right, we're integrating with title and driving disproportionate results both in 2020 and 2021. We integrate with relocation and the lead generation side there, and we're even starting to get some traction in integrating with our insurance business. And so, kind of the whole for us is kind of greater than the sum of the parts.

So, look, we don't spend a lot of time on what others are doing because everybody in the business has a mortgage. We spend our time building a great mortgage business. And again, I think the financials speak for themselves. So, I'll be more interested in your question when there's other people making \$100-plus million in mortgage.

**Thomas McJoynt-Griffith**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Makes sense. Thanks, Ryan.

**Operator:** Your next question comes from the line of John Campbell with Stephens.

**James Hawley**

*Analyst, Stephens Inc.*

Q

Hey. Good morning. This is James Hawley stepping in for John Campbell. Hey. So...

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Hey, James.

**James Hawley**

*Analyst, Stephens Inc.*

Q

...I just wanted to touch on a couple of things here. I was hoping that you could touch more on the housing outlook and tie into more of the drivers from your strong luxury performance. Over 2Q, you've had a record price appreciation. And now, in July, the moratorium is coming to an end, which could put some inflow of inventory into



the market. Just wondering if you could talk more about the outlook there and what housing looks like from here, as well as drivers for the luxury market.

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Well, let me start with the most important thing your question didn't talk about which is, in Q2, we had more unit growth gains than we had price appreciation. And we have this in our numbers and our tables, so you can look it up. We literally had more unit growth than price appreciation. Obviously, we like – we make money on both. But, wow, like, the unit growth thing is a very powerful thing for Q2. So, when you talk about a lot of price appreciation in Q2, please don't miss the unit growth. And that was a big reason that we outperformed NAR not just on price but on units, and gained a bunch of market share. So, we were pretty excited about that.

And then, look, we're – I literally gave you our numbers up to like last Friday, right? We're kind of up 20% versus last year and I think 30% versus 2019. So, we think there's some good stuff in the pipeline here. And, again, I've had a belief that the demand we're seeing out there for housing is real. Like, people are rotating into the suburbs, people are moving to Texas and Floridas and Arizonas of the world in greater ways. Remote work is changing kind of where people live.

And then, look, structurally, you've got the millennial generation hitting their prime years and, bluntly, rates are low, incredibly low. And so, it looks to us like housing demand is still there. And as I mentioned on the last question, some of these trends, like remote work, helps the higher-end of the market the most and we are well-positioned to benefit there.

So, we like what we're seeing, we're seeing New York City come back in the positive kind of territory and that's a big market for us. So, we're pretty optimistic and I think the numbers speak for themselves. The one thing I did call out in the script, to your question, is that they'll – because of how big units grew last year in July, most of what we're seeing so far in July is price increase, but we still like the really high unit levels in July that we're seeing. And to be even a little above last year's volume feels pretty good. So, that's kind of what we're seeing and, really, the latest numbers we got. I mean, they're literally as of six days ago.

**James Hawley**

*Analyst, Stephens Inc.*

Q

Got you. Thank you, that's helpful. And then, if I can squeeze one more in here quick. There's been a lot of noise...

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Sure.

**James Hawley**

*Analyst, Stephens Inc.*

Q

...in the legal side, possibly on a regulatory type – or, sorry, regulatory side as well. Some of the people are questioning right now, agent commission rates, how do you frame up agent value add right now and the level of commissions paid, are they justified today versus a decade ago?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Well look we talked – we always – we're always watching agent commission rates. And the value of agents, we think, is quite high. And look, we think it gets proved in the market. More people have used agents in the last 12 months than in the years previous, right. Customers are voting with their feet. And the price that people negotiate with their agents. If you've sold a house, you know it's a negotiation. The prices that people sell their house at with agents have stayed basically about flat. And I think agents deliver real value and you can see that in whether it was some of the health and safety stuff over the past year, whether it's in helping people buy a house in what is a pretty tight market in some parts of the country, or just getting the best price for their house.

And so, I'm old enough to remember when it was predicted in the 1990s that the Internet would put agents out of business. But I think agents deliver real value and they prove it with their customer relationships. And so, we're excited to do what we can to help agents add even more value to customers, including some of the stuff we're doing to make the transaction easier for people with some of our technology and some of our virtual tools that are helping ease the transaction for everybody, especially in kind of health and safety times.

**James Hawley**

*Analyst, Stephens Inc.*

Q

Got you. Thanks for the color. I appreciate it.

**Operator:** Your next question comes from the line of Matthew Bouley with Barclays.

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

Good morning, everyone. Congrats on the results. Thanks for taking the questions. It looks like your agent count is continuing to rise. I'm curious if you could speak to maybe how much of that kind of matches with sort of broader market-wide agent growth, simply more people becoming real estate agents? And I guess maybe the way to answer that is kind of focusing on the recruitment and retention of the high-performing agents. Obviously, that's what I'm getting at sort of amidst the strong market backdrop, Thank you.

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Sure. I'll take that one, I guess. Let me take that one. So, look, our retention is in a nice spot. Our retention kind of rose pretty consistently for over a year and has now, for a couple of quarters, been hanging out pretty near some of our historical high points. And so, we like that and that feels good, and that speaks to our value proposition, it speaks to the opportunities. And again, when we talk about gaining market share, it's our agents gaining market share and that's – there's power to being with our brands, especially on the luxury end that I talked about earlier in the call. So, the retention feels good.

And then, on the recruiting side, I think we're – I don't think it's just the growth of the market at all. Like, I think we've kind of been showing a consistent increase in the – in agent count kind of pretty steady, kind of 2%, 3%, 4% kind of every single quarter. And we recruit across the spectrum of agents. We have a lot of success recruiting people kind of in the middle of the pack and making them into top quartile agents across our brands. So, we like our results. We think that kind of 4% is consistent with the – kind of low-single digit steady growth that we've been doing. And we're always shooting for more but it's kind of a consistent thing that's been happening here and we like it, and it's obviously part of why we're having the growth results we have that are above the market.

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

Got it. Really helpful color there. Thank you for that, Ryan. Second one on commission splits. I think you mentioned a couple mix issues that impacted that number in the quarter. Just curious if you could put any numbers around that, number one. And number two, really just thinking about kind of the direction of commission splits in the second half sort of in this market backdrop that you mentioned where housing volumes might be decelerating a little bit. Just kind of broader thoughts on commission splits amidst that type of environment. Thank you.

**Charlotte C. Simonelli**

*Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.*

A

Sure. Sure. So, what we're seeing, as we have been saying, is the agent mix, so the higher producing agents which have higher splits normally, are doing more of the transactions. This has been going on for about a year now. And so, you marry that up with significantly high volume and you're going to get this increase in splits. There's a slight impact from geography if you think of the markets that are really outperforming, like Florida and California, there's a bit of geographic mix as well. And so, that's not different than what we have been seeing.

As far as it relates to the back half of the year, we begin to start lapping this though. So, that's what's going to benefit us. And so, we do expect there will still continue to be pressure on splits. But as we start to lap some of the periods from last year, where we're already seeing the agent mix and the high volumes, it should abate a bit. So, that's probably the most I can share with you at this point.

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

Very helpful. Well, thank you, Charlotte and thank you, Ryan.

**Charlotte C. Simonelli**

*Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.*

A

Thank you.

**Operator:** Your next question comes from the line of Ryan McKeveny with Zelman & Associates.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

Hey. Good morning, Ryan and Charlotte. Great job on the quarter and thanks for taking my questions. First question, a bit of a two-parter. So, to the prior question you were asked about the agent count continuing to rise – obviously, good to see. I guess, I'm just curious if you could speak a bit more about the competitive environment? We've all kind of seen some movements over time between always being very competitive, but at times it goes from very competitive to extremely competitive back to very competitive. So, I guess, the first part of my question is just any recent changes you're seeing around the competitive dynamics that are playing into the agent recruitment retention somewhat relative to how you've spoken about those dynamics in the past?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Yeah, no, I wouldn't say there's been any changes. I think it was kind of the pre-WeWork, I would say, was more in that extremely competitive. And then, post-WeWork, it's been a little more of just very competitive. But we're a

big part of that competition. We're aggressive. We like that we're growing our agents. We like that we're taking share. And it's tough out there, and I don't think that – it's always been tough in this industry. To your point, there have been times when it's ramped up even – ratcheted up even more, but it's pretty tough. But it's been about the same right now as it's been for the last kind of 12, 18 months kind of thing, I would say. And we keep having our steady growth.

We've grown market share four quarters in a row. We think some of that's our – is the real success of our strategic initiatives, some of that's the leading position we have in luxury. So, we like it but we watch the competitive stuff incredibly closely. But again, we're a big part of that. And as Charlotte talked about, some of the investments we're making in that area, we like it even if it places a – it helps in – contributes to our higher commission costs, we like the investments. We like the financial returns. And when you look at a quarter like this, hopefully, it's pretty clear that – I hope everybody likes the financial returns.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

Absolutely. Makes sense. Thank you, Ryan. So, one – just digging in a little on the volume trends that you cited. So, for the open volume in June and July up 20% and up 4% year-over-year, I believe, are you able to specify – I know it kind of qualitatively sounds like you're suggesting units are down, which should be expected given the year-ago comps and prices – ASP is still up, but can you – are you able to specify the magnitude of kind of the unit declines that you're seeing relative to the ASP increases?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Yeah. So, I mean, look, I – what I would say is, June was units and price up. And as I said, in Q2, our units were up more than price. So, you can kind of apply that rough heuristic on to the June numbers for the opened. For July, look – I think, for the July, all the growth is price, period. Like for July month-to-date, what we've seen is all the growth is price.

Now, units went up so much in 2020. Remember, we were running at like the low 5 million kind of units as a housing market. And in the last 12 months, units have been more like 6 million-plus kind of thing. So, what we're seeing in July is the kind of unit type is in the same ZIP Code, at least, of the unit kind of strength that we've been seeing and then we're seeing of some price appreciation. But what we don't have is the unit growth that we've been having as the whole sector transitions from 5-plus million to 6-plus million unit sales.

So, really, you should think of July's volume increases that we've seen so far as, basically, all price versus 2020, right? Versus 2019, the 42% that I gave you for July for 2019, that's a strong mix of unit and price. But, so far, in July what we've seen is – I guess, to repeat myself, units being similar or maybe even a little down in places to last July. But we have been getting price appreciation and that is a change, and I thought it was important enough to just bring it up and talk about it.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

Yeah. Thank you, Ryan. That makes sense.

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

But again, it was a pretty strong surge in July of 2020. So, we can run at the July 2020 unit level like that feels pretty good.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

Absolutely. Makes sense. And if I can squeeze one more in, just a high level one.

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Sure.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

So, on the Relocation business, I guess, I'm just curious because you have somewhat a unique view into this, and I'm not really even asking for your business specific but more of an industry dynamic. So, I guess, do you see anything high level around like corporate decisions around work from home or returning to the office within the Relocation business? Because, I guess, there's a lot of debate around just how exactly is the world going to work going forward, is there going to be this ongoing shift to work from home; or now that vaccines are more widespread, do people come back to the office? So, I'm just kind of curious for a high level view on what you might be seeing given the Relocation business you have and the relationships with many corporations?

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Yeah, no, look. Look, so, first off, a lot of the relos that we do is global, which does not lend itself to work from home the same way choosing between living in New Jersey and Florida does. But we are seeing things, and when we talked about the Relo business last with our board, the number one kind of long-term headwind for that industry is what you said, right, which is the – how much of at least the domestic part of trend – of that business goes away because of more work from home? And we are seeing it.

And part of the reason I sit here and tell you I think work from home is a more here-to-stay thing maybe than the average person would say is because of some of what we hear from our clients there. Now, we're seeing green shoots in that business in other ways, especially the international side where doing work from home if your job is around the world doesn't really work the same way, or you can't really stay in the US if your job is in Asia or something. But – and so, we're seeing some green shoots on that side of the business, but the headwind on that business in the US from work from home is part of the reason I think the work from home thing has maybe more legs than the average person thinks.

So, I am using that insight to have – to form that point of view, Ryan. And then it – but again, in general, that's a positive for Realogy overall because that really enables or pushes people to live either in different houses or in different geographies. Obviously, we benefit when that happens, as we've been doing.

**Ryan McKeveny**

*Analyst, Zelman & Associates*

Q

Absolutely. Helpful as always. Thank you, Ryan.

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

Thank you, Ryan.

A

**Operator:** Your next question comes from the line of Justin Ages with Berenberg.

**Justin Ages**

*Analyst, Berenberg Capital Markets LLC*

Thanks for taking my question. I was just hoping to dig in a little bit on what your efforts have been around kind of boosting the attach rates for the Title Group? And then, a quick follow on after that, please.

Q

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

Sure. Look, one of the things we've been talking about, and Justin, by the way, welcome to the coverage of the company and our story.

A

**Justin Ages**

*Analyst, Berenberg Capital Markets LLC*

Thank you. Thank you.

Q

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

One of the things, if you go back and read, is we've really focused a lot on doing something that's not at all new for real estate, which is to capture more of the transaction economics from title, from mortgage, from insurance, et cetera. And you can see it in our financials, right? And some of that in mortgage, for example, was just the market being hot. But some of it is us trying to do more in the efforts that you're talking about. And so, we've got a variety of efforts going on. Some of them, the industry's been using for 20-plus years. But the biggest place we've been different, Justin, is really focusing on digital tools to make the transaction easier.

A

And I tell this story before but, for example, in 2018, we invested in a remote notarization company. I think we were an anchor investor and were like their anchor client. And we – and nobody used the thing, and it wasn't even legal in most of the US in terms of how the laws were written. And then, the pandemic hits and everybody changes their laws, and everybody starts using it for health and safety, and then all of our agents and customers realize, hey, this is a better experience. This is a much more seamless virtual experience we can do; and we start capturing more business and making more money as you can see in our P&L.

So, we're pretty focused on this stuff. And even as I said in the call, we and Home Partners of America just set up and have been running this – our own kind of Title business together called REALtech to support the broader business we're doing together because we think it's just a really important thing to kind of capture as much of that as we can. And so, we're excited about what we've done and we're going to stay very strategically focused on it. And even in last quarter's call, I called that out as one of the places we are making strategic investments. We haven't changed those investments but there was less new news about it this quarter, so I didn't put it on my investment list to share with you this quarter.

**Justin Ages**

*Analyst, Berenberg Capital Markets LLC*

Q

Sure. Thanks. I appreciate the color. And then, kind of related to that, can you talk about what you're seeing on why the average fee per closing unit in the group jumped up? I mean, I could have expected a little bit of growth but getting to \$2,600 seems pretty outsized to me.

**Charlotte C. Simonelli**

*Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.*

A

It's the balance between purchase and refinance. So, the vast majority of our units are purchase units and we have stronger economics on the purchase units. So, I think there's more disclosure in our presentation around that. If you want, we can follow-up later, too.

**Justin Ages**

*Analyst, Berenberg Capital Markets LLC*

Q

All right. I appreciate that. Thank you.

**Operator:** Your next question comes from the line of Matt Gaudio with Compass Point.

**Matthew Gaudio**

*Analyst, Compass Point Research & Trading LLC*

Q

Hey. Good morning. Congrats on a strong quarter. Maybe one...

**Ryan M. Schneider**

*Director, Chief Executive Officer & President, Realogy Holdings Corp.*

A

Thanks, Matt.

**Matthew Gaudio**

*Analyst, Compass Point Research & Trading LLC*

Q

...for you, Charlotte. Just wondering – so, looking at capital allocation, I know you reiterated your priorities there. You closed the quarter at over \$150 million in cash on the balance sheet. I was wondering if you can just maybe give a little bit of more detail about some of the strategic investments and maybe help out with the magnitude of some – those strategic investments that you're making in the business whether that's on the RealSure side or – I know you flagged investments on the luxury Brokerage side as well. Thank you.

**Charlotte C. Simonelli**

*Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.*

A

Sure. So, first off, we consistently have been investing in the business, and we spend a lot both in CapEx and OpEx. And so, there's a base level of investment which you could say is anywhere between \$100 million to \$200 million a year. So, that's just an ongoing thing, which is stuff that we've been doing, which is helping to drive the results that we're seeing.

And then separately, Ryan had mentioned these specific growth vectors. And so, those are – you could consider some of those to be incremental to what we had been doing in the past. I wouldn't say that they would absorb all of the cash that we have on the balance sheet, which is why I tried to mention the debt pay down that we will continue to focus on, and you'll expect to see more from us there. But – so think of the stuff that Ryan has talked about as incremental to the baseline that we've seen in the business if that's helpful.

**Matthew Gaudio**

*Analyst, Compass Point Research & Trading LLC*



Yes, that is helpful. Thanks very much.

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**Operator:** At this time, there are no further questions. This does conclude today's conference. Thank you for your participation. You may now disconnect.

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