

Realogy Corporation
Fourth Quarter and Full Year 2008 Results
Webcast Transcript
February 25, 2009

1

Note: *This is a verbatim transcription of the Realogy Corporation Fourth Quarter and Full Year 2008 financial results conference call via webcast. It has been edited from its original version for transcription errors.*

OPERATOR:

Good afternoon and welcome to the Realogy Corporation 2008 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 Web site tomorrow morning. A webcast replay will also be made available on the Company's Web site. At this time, I would like to turn the conference over to Alicia Swift, Vice President of Financial Planning. Please go ahead, Alicia.

ALICIA SWIFT:

Thank you, Mary, Good afternoon and welcome to Realogy's Full Year 2008 earnings conference call. On the call with me today are Realogy's President & CEO, Richard Smith; and Chief Financial Officer, Tony Hull.

I would like to call your attention to three items.

First, you should have all reviewed a copy of our financial results press release issued earlier today, February 25, 2009, and our 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission. As we stated in the Form 10-K, the 2007 results for the twelve months ended December 31, 2007 have been reported on a pro forma combined basis.

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

Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements and projections are specified in our 2008 Form 10-K under the sections "Forward-Looking Statements" and "Risk Factors" and other periodic reports that we file.

Third, we will be referring to certain non-GAAP financial measures during the call. Our February 25 press release, which is posted on the investor information section of our Web site, contains definitions of these terms, a reconciliation of these terms to their most comparable GAAP measure, and a discussion of why we believe these non-GAAP financial measures are useful to our investors.

Now, I'd like to turn the call over to Realogy's President and CEO, Richard Smith.

RICHARD SMITH:

Thank you, Alicia. Good afternoon, and thank you for attending our 2008 full-year earnings call.

Let me begin by addressing the elephant in the room - specifically the rampant speculation and erroneous internet postings suggesting that Realogy will file for Chapter 11 sometime in 2009.

1

Realogy Corporation
Fourth Quarter and Full Year 2008 Results
Webcast Transcript
February 25, 2009

2

That is completely false and without merit. It is a self-serving notion promoted by the popular press and some of our uninformed competitors and is evidence of their attempt to promote their businesses through the unwarranted criticism of others as opposed to relying on the values of their business models, many of which are failing in this market. We are the largest company in our industry by a factor of many. Most of our competitors at virtually every level are tiny by comparison and lack the scale and scope to operate effectively in this challenging environment, let alone take the leadership position we hold and expect to hold for many years. More to come on that later, but obviously, the competitive chatter should be taken for what it is, the unwarranted wishful thinking of our competitors.

As we have stated in both our earnings press release and in our 10-K Annual Report filed today, Apollo has advised the Company that based upon management's current financial outlook it will provide financial assistance, to the extent necessary, to Realogy in meeting our senior secured debt to pro forma adjusted EBITDA leverage ratio and cash flow needs through 2009. We are pleased to have the support of our financial sponsor and believe this should more than adequately address any questions our competitors have raised regarding Apollo's commitment to Realogy's future.

For the investors on this call, I know that you understand what an impairment charge is but for the benefit of our many franchise owners, independent sales associates, corporate clients and employees -- and even our real estate brokerage competitors -- who I am sure are listening, I am going to define the term so that there can be no misunderstanding about what the Company has reported.

Realogy's financial results for 2008 were significantly affected by non-cash impairment charges of \$1.8 billion, and this mainly involved a reduction in the balance sheet value of the Company's goodwill. Goodwill is simply the difference between the price paid for a company in an acquisition and the most current value of its assets. The difference is assessed annually and recorded in a company's results where it is a non-cash charge against earnings. To be clear, these non-cash charges have absolutely no impact whatsoever on the Company's day-to-day operations, its cash position, liquidity, credit agreements or viability. This is a change in the value of the goodwill on our books, which has more to do with the state of the economy than the health of our Company.

There are literally dozens and dozens of healthy companies in today's market that have recently announced a non-cash charge against earnings to reflect a write-down in the goodwill recorded on their books. Companies such as Time-Warner (\$24 billion), Gannett (\$5 billion), Northrop Grumman (\$3 billion), Coca-Cola (\$2 billion) and Kraft Foods (\$1 billion) are among the many notable companies that have announced non-cash impairment charges in the past few weeks.

Looking at Realogy, if you exclude the non-cash impairment charges along with merger and legacy costs as well as restructuring charges, then on that adjusted basis we produced EBITDA – earnings before interest, taxes, depreciation and amortization – of \$411 million. Realogy generated \$109 million in cash from operations in 2008, and this amount is after paying interest expense. These two figures are important indicators of the strength of our business model.

Today we face one of the most difficult housing markets and economies of the past 50 years. Fortunately, the business model we constructed in the mid-1990s was designed to withstand a great deal of market pressure. The high variable cost structure, low capital requirements and high-margin operations are distinct advantages.

The big picture for Realogy and our business segments is that we have reduced operating costs by more than \$350 million over the past three years. During the course of 2008, we reduced our

2

Realty Corporation
Fourth Quarter and Full Year 2008 Results
Webcast Transcript
February 25, 2009

3

operating expenses by an incremental \$110 million over and above what we originally contemplated in March 2008. These strategic, proactive cost-cutting measures have best positioned us to endure during these extraordinary times.

We have made difficult decisions. During the past three years, we have reduced our worldwide employee workforce by approximately 22% and consolidated 350 company-operated facilities into neighboring offices, eliminating the brick and mortar costs but retaining the vast majority of our top-producing sales associates and related revenues.

We have been equally focused on growth. In spite of the downturn in the housing market, we have made progress in advancing our company. From new franchise sales to the retention of top-tier brokers and sales associates at RFG and NRT, to signing new clients at Cartus and TRG, we continue to be forward-thinking and highly focused on the future of our company and the real estate industry.

Our launch of Better Homes and Gardens Real Estate last year has proven to be very strategic. We have attracted a great deal of interest from independent and affiliated brokers alike. The lack of strategic brand and operating direction by our competitors is often cited as what attracts prospective franchisees to our offerings – be that Better Homes and Gardens Real Estate, Century 21, Coldwell Banker, ERA, Sotheby's International Realty or Coldwell Banker Commercial.

Likewise, NRT has demonstrated its ability to capitalize on the weakness of its competition, successfully attracting and retaining historically high percentages of its top-tier sales associates. As small and regional operators throughout NRT's markets wither under the pressure of this market, NRT has been the beneficiary. We offer to the best and the emerging best of the sales associate ranks a safe haven from a turbulent and uncertain market place.

Cartus and TRG continue to outpace the competition. Cartus has successfully won the business of some of the largest new clients in its history, evidenced by the increase in initiations despite the obvious disruption in the economy. And TRG's expansion into its new lender channel is showing early promise.

As you may recall, we do not provide guidance or forecasts. That said, as to 2009, we think Fannie Mae may be the best forecaster of industry trends, especially as to the movement in units and price. For the past three years, within an acceptable margin of error, Fannie has been a reliably accurate forecaster and may offer the best insight into 2009 market trends.

For 2009, Fannie Mae is forecasting a 3% drop in existing homesale transactions and a 9% decrease in median existing home prices for an aggregate forecast of negative 12% on units and price combined. In terms of actual numbers, Fannie's forecast calls for 4.7 million homesale transactions with a median price of approximately \$181,500. By contrast, NAR is estimating a 4% increase in transactions and a 3% decrease in home prices this year for a net 1% increase in those two drivers.

Although we are encouraged by NAR's Housing Affordability Index of 129 for 2008 compared to 112 in 2007 and 106 in 2006 and inventory levels coming down from 11 months last November to 9.6 months in January, we fully recognize that the current recession and its negative impact on consumer confidence makes the housing market extremely difficult to forecast. Notably, the deteriorating conditions in the job market, stock market, consumer confidence and the heavy influence of foreclosed home sales on the average sales price in the fourth quarter of 2008 have weighed heavily on the housing industry in general, forcing further declines in average and

3

Realogy Corporation

Fourth Quarter and Full Year 2008 Results

Webcast Transcript

February 25, 2009

4

median sales prices. Coupled with the continuing signs of weakness that we have observed in our January 2009 results, we believe Fannie Mae's more conservative forecast is an appropriate general housing outlook for 2009.

Although we expect 2009 to be a very difficult year for housing, there are positive developments. With respect to the economic stimulus bill recently signed into law, we had worked hard on Capitol Hill to encourage the adoption of a substantive, direct stimulus to housing – specifically, a \$15,000 tax credit for all homebuyers, and that was actually included in the original language of the Senate version of the bill but didn't make the final cut.

Instead, Congress improved the existing tax credit for eligible first-time homebuyers from \$7,500 to \$8,000 while eliminating the repayment requirement. In addition, the stimulus package included an increase of the conforming loan limits back to the higher 2008 levels, which had expired in January. The expanded loan limits will permit more homebuyers and homeowners to access lower mortgage interest rates since Fannie and Freddie Mac will now be able to buy those loans that were previously above their limits. In particular, we think this will provide some relief in markets on the East and West Coasts where higher-cost homes are prevalent and sales in the high end have in fact stalled.

NAR is forecasting that this higher loan limit is likely to raise home sales on the high end by 150,000 units among qualified homebuyers in 2009. Although not part of the overall \$787 billion stimulus package, the next round of TARP money and other funds available from Treasury is anticipated to be used to lower mortgage rates, not just for distressed homeowners but all homebuyers and non-distressed homeowners as well.

According to NAR, these policy actions – a first-time homebuyer tax credit, higher loan limits and lower mortgage rates – could potentially result in a combined increase of approximately 850,000 home sales in 2009.

I want to leave you with four key points:

1. When evaluating our business, take care to look at the strength of our operating earnings and cash flow from operations. The non-cash impairment charges against goodwill and related line items on our balance sheet do not have any impact whatsoever on the Company's day-to-day operations, cash position, liquidity or credit agreements.
2. Understand that we have taken considerable proactive steps in managing costs and improving our operational efficiency and profitability. This will continue to be the case as we operate in this challenging economic environment.
3. Despite our focus on costs, we are still committed to growth, and we have consistently demonstrated that philosophy in our actions.
4. Last, but certainly not least, Realogy has the commitment and support of Apollo Management. We have met all our previous debt obligations, and expect to continue to do so.

With that, I will turn the call over to Tony for a more detailed look at our financials.

ANTHONY HULL:

Thank you, Richard. I am going to discuss details of our full year 2008 financial results and address certain 2009 cash flow item forecasts. I will be referring to the tables in the press release as well as several pages of the 10-K.

4

Realogy Corporation

Fourth Quarter and Full Year 2008 Results

Webcast Transcript

February 25, 2009

5

Looking at Table 2 of the press release, total net revenue was \$4.7 billion in 2008 compared to \$6.0 billion in 2007, a 21% decrease that was mainly a result of lower transaction volume at RFG and NRT. The breakdown by revenue category is as follows:

- Gross commission income totaled \$3.5 billion.
- Service revenues totaled \$737 million, primarily from Cartus and TRG.
- Third party franchise fees totaled \$323 million.
- Other revenue of \$182 million, which includes marketing fees that RFG collects from its franchisees and revenue from NRT's REO asset management business.

As it relates to achieved expense reductions, comparing 2008 results to 2007 on a pro forma combined basis:

- Total commission expense of \$2.3 billion in 2008 decreased 24% or \$723 million year over year as one would expect due to lower transaction volume. Profit margins improved 100 basis points which was worth about \$40 million of EBITDA.
- Operating, marketing and general and administrative costs of \$2 billion declined approximately \$285 million or 12% year over year as we realized the concrete benefits of storefront and other pro-active cost reduction initiatives that management executed throughout the year.

Next I would like to discuss our key business drivers for the fourth quarter and full year 2008 from Table 4 of the press release.

RFG home sale sides decreased 13% in the fourth quarter of 2008 and average home price decreased 9%. NRT home sale sides decreased 6% and average price decreased 18% in that same period. The mix of business away from the higher end and the impact of foreclosure and short sale activity at NRT continued to put downward pressure on average price. The average price of a home sold by NRT in the fourth quarter decreased from approximately \$516,000 in 2007 to \$421,000 in 2008.

For the company as a whole in 2008, our owned operations and our franchisees were involved in approximately 1.3 million home sale sides. For our franchisees, sides declined 18% from 2007. While this on its face appears to be a greater decline than reported on an industry-wide basis, our franchisees' average sales price only declined 7% compared to 9% industry-wide. Despite these variances, our top brokers continued to outperform in their respective local markets.

For the full year 2008, NRT home sale sides decreased 16% and its average home price decreased 10% in that same period. The number of foreclosure sales brokered by NRT offices represented about 17% of NRT's sides in the fourth quarter of 2008 and 10% of full-year sides. The increasing percentage of REO activity at NRT put downward pressure on the average sales price at NRT.

Price and unit activity continues to be extremely hard to predict. Sides and price trends in January continued to be soft. The effects of the weak economy, unemployment fears and uncertainty about mortgage rates kept homebuyers on the sidelines across the country, despite highly favorable affordability levels.

Taking a look at the drivers for our two other business segments: at Cartus we experienced a 3% increase in initiations due to new global client signings. At TRG, purchase title and closing units declined 20%, which follows the sales volume declines experienced at NRT.

I will now discuss revenue and EBITDA by business unit for the year ended December 31, 2008, as reflected on page 67 of the 10-K. On a consolidated basis, EBITDA in 2008 was \$411 million

5

Realogy Corporation
Fourth Quarter and Full Year 2008 Results
Webcast Transcript
February 25, 2009

6

when you exclude non-operational and non-cash adjustments of \$1.9 billion. These adjustments are highlighted on the front page of our press release.

Total revenue at RFG was \$642 million in 2008 compared with \$818 million in 2007. The 22% revenue decline is in line with the change in home sale sides and average price shown on the driver table along with lower intercompany royalties from NRT. Offsetting these declines were a 9 basis point increase in our net effective royalty rate and a 3 basis point increase in average broker commission rates charged by our franchisees. Total EBITDA at RFG was \$358 million in 2008 excluding impairment and other special items highlighted on Table 5 of the press release but after investing in the launch of the Better Homes and Gardens Real Estate brand.

At NRT, before impairment and special items, 2008 EBITDA came in at \$2 million or \$253 million before royalty and marketing fees NRT paid to RFG. Revenue declines of \$1 billion due to lower unit and price activity at NRT were mostly offset by greater REO asset management revenues, and lower commission expense along with \$49 million of marketing and \$125 million of other operating expense reductions positively impacting the year.

EBITDA at Cartus for 2008 before impairment and special items was \$82 million, basically flat to 2007 results. While reported revenue was down due to our exit from the government at risk relocation activity and lower broker referral volume, EBITDA was positively impacted by \$77 million of lower costs related to the exit from the 'at-risk' business.

At TRG, revenue decreased 13 percent as a result of lower unit volume. EBITDA decreased \$16 million, excluding impairment and special items. The reduction in revenues was offset by lower cost of sales and gains from exiting certain joint venture arrangements in the third quarter of 2008.

Turning to the balance sheet on page F-4 of the 10-K, we ended the year with a cash balance of \$437 million, which includes \$402 million of available cash and \$35 million of statutory cash required for our title business. Our net revolver outstanding was \$113 million when you deduct from the \$515 million balance on our revolving credit facility the \$402 million of available cash at year end. At January 31, 2008 our net revolver balance was \$307 million, after adjusting for \$258 million of available cash. The increase in the net revolver balance in January was principally due to periodic funding cycles of our securitization facilities along with the normal seasonality of Realogy's businesses. We expect our revolver balance net of available cash to be approximately \$300 to \$350 million on March 31st of this year.

Also on the balance sheet, relocation properties held for sale, which includes our government fixed fee business, dropped \$161 million to \$22 million, bringing overall relocation assets to \$787 million against total securitization debt of \$703 million. In January, we terminated the Kenosia securitization program, repaying its remaining balance then outstanding. As for the UK Relocation Securitization, although it continues to be fully utilized, many of our UK clients agreed to self-fund their forward business and repay their existing homes in inventory. We have received most of these repayments, and expect to completely eliminate the over-funding issue by the end of March of this year.

Turning to cash flow on page F-5 of the 10-K, in 2008 Realogy generated \$109 million of cash from operating activities. Contributing to this result were actions we set in motion in 2008 to release about \$90 million in working capital that had previously been tied up in relocation asset financing. Capital expenditures in 2008 were \$52 million versus \$102 million in 2007. Similarly, M&A spending dropped from \$56 million during 2007 to \$12 million this past year.

6

Realogy Corporation

Fourth Quarter and Full Year 2008 Results

Webcast Transcript

February 25, 2009

7

Although we are not giving guidance for 2009, let me provide you with certain cash flow item expectations for the year:

- We currently expect to pay approximately \$450 to \$475 million in corporate cash interest expense in 2009. This figure reflects our current strategy of rolling the unhedged portion of our credit facility borrowings monthly to take advantage of low LIBOR rates;
- Capital expenditures are expected to be under \$50 million for the full year;
- Working capital and restructuring costs are forecasted to be between \$25 and \$35 million;
- Reductions in relocation assets, net of changes in securitization borrowings, are expected to generate between \$30 and \$40 million of cash; and finally,
- Net funding of legacy issues is expected to total about \$25 to \$35 million for the full year. That number does not include potential costs related to any ultimate resolution of the Credentials case or legacy tax issues during the period.

On page 88 of the 10-K, we present the senior secured leverage ratio calculation. Adjusted EBITDA is calculated by adjusting reported EBITDA for 2008 per our credit agreement. The first three adjustments shown to the reported 2008 number are merger, restructuring, and former parent legacy costs and the 2008 impairment charges. With those non-operational items adjusted out, the starting point for the 2008 EBITDA is \$411 million. To that we add a total of \$246 million of adjustments that are prescribed in our credit agreement resulting in Adjusted EBITDA of \$657 million. The cost saving and business optimization adjustments included in that calculation were all fully executed before year-end.

At December 31, 2008, total Senior Secured Debt plus capitalized lease obligations less readily available cash totaled \$3.25 billion. That divided by Adjusted EBITDA of \$657 million for the year results in the senior secured net debt to Adjusted EBITDA ratio of 4.95 to 1.

As Richard stated earlier, Apollo has advised the Company that based on management's current financial outlook it will provide financial assistance to Realogy, to the extent necessary, in meeting our senior secured debt to pro forma adjusted EBITDA leverage ratio and cash flow needs through 2009. Just to remind you, the way our credit agreement operates is that for the most part every one dollar of equity contributed increases our financial flexibility by more than five dollars. In addition, we can use that equity infusion to pay down borrowings. This is very powerful support to us through these challenging times and is not available to many companies or to most of our competitors.

In terms of revenue drivers for 2009, as Richard mentioned, we are relying more on Fannie Mae's forecast than NAR's forecast. Fannie Mae's forecasts have been extremely accurate since 2006. On the cost side of the equation, in 2009 we will continue to benefit from higher gross margins and lower fixed costs as a result of our continuous efforts to increase productivity at all of our businesses. For your modeling purposes and assuming all else remains constant, we are forecasting for 2009 that a 1 percent change in sides and price will equate to approximately a \$12.5 million combined change in EBITDA for RFG and NRT.

In conclusion there are a few things that I would like to emphasize:

- First, the impairment charge that we took in the fourth quarter -- although a large number -- is a non-cash charge that reduces certain line items on our balance sheet, but has absolutely no impact on our viability, operations, liquidity or ability to utilize our available lines of credit
- Second, despite where the rating agencies place our debt in terms of relative ranking, Realogy's credit ratings do not have any impact on our operations or liquidity and there are no ratings-related triggers under our corporate or securitized debt.

7

Realogy Corporation
Fourth Quarter and Full Year 2008 Results
Webcast Transcript
February 25, 2009

8

- Third, none of our corporate debt comes due until 2013, and we continue to have access to our \$750 million revolver.
- And finally, the current interest rate environment continues to dramatically benefit Realogy. Our cash interest expense for 2009 is expected to be at least \$100 million less than in 2008.

Our cash needs in 2009 are expected to decline markedly from 2008 levels thanks to the impact of executed cost initiatives, lower capital requirements and reduced interest expense. Based on actions that we have planned, new opportunities we have and will continue to identify, and with Apollo's support, we expect to remain in compliance with our covenant over the next 12 months, and have sufficient liquidity to weather the current storm.

With that, I'll turn it over to Alicia for some concluding remarks.

ALICIA SWIFT:

Thank you, Richard and Tony. I have two quick points of information to add, and then we will conclude today's call.

First, we will make a transcript of this call available on the Investor Information section of the Realogy.com Web site tomorrow morning, February 26. Second, we anticipate announcing our First Quarter 2009 results in May, with the exact date still to be determined.

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

###

8