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# TRANSCRIPT

ASPS - Q2 2018 Altisource Portfolio Solutions S.A. Earnings

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## JULY 26, 2018 / 3:00PM, ASPS - Q2 2018 Altisource Portfolio Solutions S.A. Earnings

### CORPORATE PARTICIPANTS

**William B. Shepro** *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

**Indroneel Chatterjee** *Altisource Portfolio Solutions S.A. - Chief Financial Officer*

### CONFERENCE CALL PARTICIPANTS

**Leon Cooperman** *Omega Advisors, Inc.*

**Mike Grondahl** *Northland Capital Markets*

**Ramin Kamali** *Credit Suisse*

**Shachar Minkove** *Napier Park Global Capital*

### PRESENTATION

#### Operator

Good day, ladies and gentlemen, and welcome to the Altisource Portfolio Solutions Second Quarter Earnings Call. (Operator Instructions)

I'd now like to introduce your host for today's conference, Mr. Indroneel Chatterjee, Chief Financial Officer for Altisource. Sir, please go ahead.

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#### **Indroneel Chatterjee** - *Altisource Portfolio Solutions S.A. - Chief Financial Officer*

Thank you operator. We first want to remind you that the Earnings Release, Form 10-Q and quarterly slides are available on our website at [www.altisource.com](http://www.altisource.com). These provide additional information investors may find useful. Our remarks today include forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ. Please review the forward-looking statements sections in the Company's Earnings Release, quarterly slides and Form 10-Q, as well as the risk factors contained in our 2017 Form 10-K and Form 10-Q, which describe factors that may lead to different results. We undertake no obligation to update these statements as a result of new information or future events.

During this call, we will present both GAAP and non-GAAP financial measures. In our Earnings Release and quarterly slides, you will find additional disclosures regarding the non-GAAP measures. The reconciliation of GAAP to non-GAAP measures is included in the Appendix to the quarterly slides.

Joining me for today's call is Bill Shepro, our CEO. I would now like to turn the call over to Bill.

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#### **William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Thanks, Indro. Good morning and thank you for joining today's call. I am pleased with our second quarter financial performance, generating 60 cents of adjusted diluted earnings per share for the quarter and \$1.07 for the first half of the year. This represents 53% of the midpoint of our adjusted diluted earnings per share financial scenarios. More importantly, we are making excellent progress on the sales front.

In a very competitive process, our Servicer Solutions business won and signed the master services agreement to be one of a select few foreclosure and REO auction providers to one of the largest institutional real estate and mortgage investors in the country. We also recently signed an agreement to provide field services to a top- bank. These wins represent very meaningful earnings opportunities and have the potential for significant upside in an economic downturn. We anticipate receiving referrals from both of these customers in the fourth quarter and that our market share will grow with strong performance.



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These wins highlight our focus on operational excellence, which combined with industry consolidation to high performing vendors, has allowed us to expand our client base and grow market share. Our success bolsters our long term enthusiasm for revenue and earnings growth even though it is taking considerably longer than we anticipated to onboard and ramp up revenue from our wins.

Turning to our second quarter results and Slides 5 and 6, Altisource generated \$208.9 million of service revenue, \$0.60 of adjusted diluted earnings per share and \$27.8 million of adjusted operating cash flow.

Service revenue in the second quarter and the first half of 2018 were lower than the comparable periods of 2017 primarily from the normal runoff of Ocwen's servicing portfolio and Front Yard Residential's, which I'll refer to as RESI's, smaller portfolio of non-performing loans and REO. Second quarter service revenue grew by 11% compared to the first quarter of this year with non-Ocwen/NRZ service revenue growing by 18%. We expect the non-Ocwen/NRZ service revenue growth to fluctuate from quarter-to-quarter based on the timing of BRS real estate sales, onboarding of announced client wins and growth from existing clients.

Compared to the second quarter and first half of 2017, adjusted diluted earnings per share was lower primarily from higher interest expense, lower service revenue and no gain on debt repurchase in 2018. Adjusted diluted earnings per share for the quarter also excludes \$4.4 million of pretax loss related to the April 3rd debt refinancing and mark-to-market pretax gains of approximately \$1.5 million from our investment in RESI shares.

Based on our estimate of the impact of the previously discussed tightening of our underwriting standards in the BRS business and greater clarity on the elongated timing of onboarding our wins, we adjusted our non-Ocwen service revenue scenarios on Slide 6. The adjusted EPS scenarios remain the same. To achieve adjusted EPS within our scenario range and position Altisource for similar results in 2019, we are aligning our cost structure to our lower revenue and focusing on our larger opportunities.

Adjusted operating cash of \$27.8 million represents 13 cents per dollar of service revenue, consistent with the 13 cents we generated in the second quarter 2017. In the second quarter, we used \$11.1 million to repurchase 410 thousand shares of our stock at an average price of \$27.14, bringing the outstanding non-diluted share count to approximately 17 million at the end of the quarter and the average diluted share count to 17.6 million. We ended the quarter with \$128 million of cash and marketable securities and \$276 million of net debt less marketable securities.

Now I'd like to provide you with a brief overview of the progress we are making with each of our four core businesses.

As I discussed earlier, our strong momentum of client wins in our Servicer Solutions business continued. In addition to the wins I highlighted, we also were selected by a non-bank servicer to provide field services and an existing top-4 bank customer selected us for an additional field services product. In the first half of this year, we've had modest growth in non-Ocwen/NRZ service revenue compared to last year. Based on 2017 and 2018 wins and the anticipated on-boarding of these clients, we believe we are well positioned for future non-Ocwen revenue growth.

Our next strategic business is Originations Solutions. In the first half of this year, non-Ocwen service revenue declined modestly compared with the same period in 2017 in a lower origination volume environment. During the second quarter, we launched the Trelis end-to-end fulfillment services offering, significantly grew the sales pipeline for this offering, on-boarded our first client and received notification from another customer that they've selected us. The growth of recent client wins, the on-boarding of new clients and advancing our promising prospects through the pipeline should position our Origination Solutions business for attractive future growth.

In the first half of 2018, service revenue in the Real Estate Investor Solutions business declined by 16% compared to the same period in 2017 driven primarily by RESI's smaller portfolio of non-performing loans and REO, partially offset by growth in our buy-renovate-lease-sell program, which I'll refer to as BRS.

Even with our tighter underwriting criteria, we have experienced significant growth in our BRS business and as we further develop our acquisition and sales pipeline, we anticipate that the BRS program will be the primary driver for this business segment. To improve our economics and grow our acquisition pipeline, we are focused on reducing renovation costs and the timeline from acquiring to renting a home. As of the end of the quarter, we had 260 homes in inventory.



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Finally, our Consumer Real Estate Solutions business continues to make very good progress, capitalizing on the growing trend of consumers using online tools to buy and sell homes. In the first half of 2018, we grew service revenue by 86% and the number of transactions by 65% compared to the same period last year. We also made key operational improvements.

- We improved performance across several components of the sales funnel leveraging our agile operating
- model, and we're completing a new online customer experience that we expect to launch in the third quarter.

We ended the quarter working with approximately 4,200 customers, up from the 1,500 customers we were working with this time last year and the 3,200 customers at the end of the first quarter.

In conclusion, we continue to win business from some of the largest and most well respected financial institutions in our industry, building a sizeable pipeline of future revenue. Our clients are committed to launching these new programs with us; but we have to work to their timetables. It is simply taking longer than we anticipated to board these very large revenue generating wins. We are working diligently with our customers to launch and anticipate that revenue will grow through performance. We believe these client wins lay the foundation for creating long-term shareholder value.

I'd now like to open up the call for questions. Operator?

### QUESTIONS AND ANSWERS

#### Operator

(Operator Instructions) Our first question comes from line of Lee Cooperman with Omega Advisors.

#### Leon Cooperman - Omega Advisors, Inc.

I have a bunch of questions, Bill, but I don't want to monopolize the call, so maybe I'll ask a few and then come back in the queue. The industry is obviously undergoing consolidation. Look at Ocwen, PHH. Are there any interesting M&A opportunities with small players struggling that you see? And is this part of our game plan?

#### William B. Shepro - Altisource Portfolio Solutions S.A. - Chief Executive Officer

So let me start there then you can ask your additional questions. I think you're right. Definitely on the servicer side we are seeing some industry consolidation certainly with Ocwen and PHH and probably expect to see more consolidation as the year progresses into next year. In terms of Altisource, we're very focused primarily on organic growth. There are occasionally some bolt-on acquisitions where we believe we have a strong competitive advantage and it may make sense to do smaller deals, where it adds very marquee customers that we may not be doing work for and where we think we have a very strong and distinct competitive advantage, and lastly, where we can pay a price that we believe is attractive. So generally speaking, it's organic growth.

#### Leon Cooperman - Omega Advisors, Inc.

Would you rule out if the industry's consolidating if somebody wanted to acquire Altisource, I guess you would give the standard answer that you would do whatever is right for the shareholders?

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**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, we certainly are going to look out for what's in the best interest of our shareholders. And I can't comment here, but we would certainly look to evaluate that.

**Leon Cooperman** - *Omega Advisors, Inc.*

And I guess from the pattern of repurchase, you still continue to believe despite everything being delayed that the ultimate prize is there because you continue to buy back stock. Your view is that the stock is mispricing the prospects of the assets of the company?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

That's it. We agree with you, yes.

**Leon Cooperman** - *Omega Advisors, Inc.*

You've spent -- well, it's just my observation of your actions, we spent in last year, I think, \$60 million on investments and the plan is to spend about \$40 million this year. That's about \$5.50 a share of investments. How should I measure these investments? And are these business lines you are spending money on profitable? And if not, when are they going to be profitable?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

You're totaling the investments over 2 years, is that correct?

**Leon Cooperman** - *Omega Advisors, Inc.*

I think, last year, you spent \$60 million. This year, \$40 million, so that's \$5.50 a share.

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Right. Got it. I understand what you're doing now. Yes. So I think that the key, Lee, is we're focusing on investments that we believe can drive substantial growth to Altisource and add real value. So we wouldn't be spending that money if we didn't think ultimately not only are we not going to be spending, we'll get to a more normalized R&D, but it will actually generate a lot in earnings. And what we're doing now is making sure we're very focused on those opportunities that we think are the largest. We're focusing on the larger opportunities for Altisource and evaluating some of the opportunities that maybe are smaller and not performing to what we expected. But generally speaking, we're pleased with some of the larger investments we're making, and we're seeing really, really good progress, and the leading indicators are also very strong.

**Leon Cooperman** - *Omega Advisors, Inc.*

Last question, and then I'll come back in the queue. Why are you running the company with excess cash? I think you said you need about \$60 million to run the business. At the end of the first quarter, you had earned \$127 million of cash and securities. You've guided to, I think, \$80 million to \$90 million of operating cash flow at the end of the first quarter. What's the reason for having all this cash? Why not buy back shares more aggressively? Or pay down debt more than your amortization calls for? And then you also said that in the last quarter you were holding back on home purchases due to rising rates. Home prices are still rising and more investors are looking for single-family homes. Do you plan to buy more homes at higher prices? If not, what is the cash earmarked for?

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**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes. So Lee, on the second part of your question, the answer is yes, we are buying more homes, but we have tightened our underwriting. So we won't buy as many homes as we originally planned for the year, but because our underwriting criteria has tightened, as interest rates have risen and people's expectations per sales prices haven't come down at the rate you would expect them to in a rising interest rate environment. And I think that's a function of supply. So we are going to continue to buy homes. We are very focused on continuing to improve our profitability in our BRS business. The other part of your question was around cash. So we recently, on July or early -- sorry, early -- when do we close the loan?

**Indroneel Chatterjee** - *Altisource Portfolio Solutions S.A. - Chief Financial Officer*

April 3.

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Sorry, in early April, we closed the loan. That loan has contractual amortization, Lee, of...

**Indroneel Chatterjee** - *Altisource Portfolio Solutions S.A. - Chief Financial Officer*

10%.

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, 10% for the first 2 years. I think it's a little bit around \$40 million a year. So certainly, we have to be thinking about that from a debt perspective, and of course, we can always pay that sooner if we so choose, and it would be applied against the contractual amortization. But we do have that obligation. We are going to continue to grow the buy-renovate-sell business well and depending on where the share price is trading, we also look to buy shares back.

**Operator**

The next question comes from line of Mike Grondahl with Northland Securities.

**Mike Grondahl** - *Northland Capital Markets*

The first question, can you quantify the two new contract wins that you spoke about in Servicer Solutions, like what you think what kind of run rate they could be up to once they board?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, that's a very good question, Mike, and I want to be somewhat careful here because the potential to do foreclosure auctions and REO sales for that customer I highlighted at the beginning of my prepared remarks, a lot depends ultimately -- we're going to have to prove ourselves through performance, but they are one of the largest holders, or investors in loans and real estate in the country. So that has a very, very large potential but we've got to prove ourselves. And when I say large potential, I mean, the numbers could be quite frankly very large, if not breathtaking, if we perform. So it's really hard though sitting in my seat today when we haven't gotten our first referral though to actually tell you what it's going to look like. But if we perform well and if we continue to be a top innovator in the auction space, I think we've got a really good potential to grow with that customer. The other customer is, on the field services side, and it's a top four bank. And they'll start by giving us a couple of states. And



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if we perform well, you're looking at one of the largest servicers in the country here. If we perform well, we have the opportunity to grow through performance. But I suspect their spending -- that firm is probably spending, and this is a complete educated guess on my part, but let's say, \$25 million-\$30 million a month on vendors in that space. So it has the potential, and we will be one of several vendors, but it also has the potential to be meaningful. So these are really, really important wins. And I try to look in preparing for today's call. If I look, Mike, at Hubzu, for example, and I exclude the business we get from Ocwen, RESI and NRZ, and I just look at our other clients, I mean if the base is not gigantic, but it's pretty good and the results -- I look at revenue from those customers increased by 57% compared to this quarter last year in '17. I looked at our inventory at the end of the second quarter as well. Our inventory is up 93% with these other customers at the end of second quarter of '18 compared to the end of the second quarter in '17. Then when you look on top of that, one of the deals that we won, we won this deal in the third quarter of 2017, and we just started- and it's with a top 10 servicer in the U.S.- we just got our first referrals, 19 homes, 19 auctions in July. We won it in the third quarter. But it's a top 10 servicer. Again, if we perform well, it has the opportunity to grow. There is a second customer we won in the third quarter of 2017 that we frankly thought we were going to board in April or May of this year, they're top four bank, we're going to take over a large portion of their REO and provide auctions for them. That business is now going to board based on the latest information, based on a very large integration meeting we had a couple of days ago, in the first quarter of 2019. So that also bodes well for Hubzu. And then lastly, that win I just discussed with the very -- one of the largest institutional investors of loans and real estate that we think will board in the fourth quarter. We have integration meetings starting next week at their office. And we are looking for that to board hopefully in the fourth quarter. So the prospects for Hubzu and the size of these wins, could be very, very meaningful. Where I've been wrong, frankly, is the timing. And I got it very wrong this year but the opportunities from these clients are very large and I think in a consolidating market, we're gaining share.

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**Mike Grondahl** - *Northland Capital Markets*

Got it. Kind of segueing, the non-Ocwen revenue forecast or guidance came down a lot. Is timing the number one reason? Is there anything else to call out there just so we can better understand that?

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**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, Mike, there are two reasons for the change, and we previewed one on last quarter's call, which is the tightening of our underwriting standards. We had started tightening it and we weren't sure what necessarily how big the impact's going to be. We have now re-adjusted our expectations for that business. And so that's the first piece. And the second is, frankly, it's all timing. I mean, we're working -- our clients are committed to launching these programs with us. As I said in my prepared remarks, we have to work to their timetables, and it's taking much longer than we expected to board. Mike, we're working with IT departments, compliance departments, purchasing departments. I mean the amount of work and what it takes today to onboard a client is much, much harder than what it had been historically, and we just -- we got it wrong from a timing perspective. That's the bad news. The good news is the opportunities are absolutely fantastic for the firm. And our teams are doing a great job from a sales perspective and from a client management perspective, winning this business and getting our clients comfortable and working closely with us to onboard.

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**Mike Grondahl** - *Northland Capital Markets*

Got it. If I look at some of -- I guess, what I'll call, cost of goods sold and SG&A, those seemed to be coming down a lot. Is that sustainable? Can you just kind of talk about some of the cost savings, some of those categories because as your revenue softens, your cost of -- you clearly kept pace if not more?

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**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, I think if you look at the overall margins for the business, we've done a very good job in a declining revenue environment, keeping the margins relatively the same. I will tell you the forecast for some of that new business is going to come in later than we originally expected. So we're very focused, and are very focused as a leadership team at Altisource, on making sure, and we align our costs with that current revenue forecast. And so we are working feverishly to make sure we believe we can be successful at doing that. And that's important to also manage the cost side. And as I mentioned in my prepared remarks it's also important to focus on the larger opportunities where we see very strong potential and some of



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the other opportunities which don't have as much potential as we expected. We should look, are we a buyer or a seller? And we're taking a close look at some of those.

**Mike Grondahl** - *Northland Capital Markets*

Got it. So I think you're kind of saying those can continue. Is that the takeaway?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes. Yes, we think we can continue to do a decent -- a very good job -- managing those costs.

**Mike Grondahl** - *Northland Capital Markets*

Got it. And then, any status on the NRZ agreement?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

So yes, I listened, by the way, to NRZ's earnings call. So we've extended, and I think Mike said the same thing on his earnings call earlier this morning. We've extended the services agreement to the end of August. And Mike Nierenberg on his call, basically said he hopes to get it done this quarter. I don't have much more to add beyond that.

**Operator**

Next question comes from the line of Shachar Minkove with Napier Park.

**Shachar Minkove** - *Napier Park Global Capital*

Most of my questions have actually been dealt with but just wanted to come in a little bit on the debt, again, I mean -- or I guess the cash. As Mr. Cooperman pointed out you guys have significant excess cash. I think he said \$60 million, which you've said in the past. And I think you talked about what options you have including prepaying the term loan amortization. I mean, it's 6% to 7% cash drag, it seems like kind of a no-brainer to be prepaying that. Why is that not happening already? Can you just sort of give us a thought process there?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Shachar, we continue to look at what's the right approach. We clearly agreed to very meaningful contractual amortization because we believe we generate very attractive cash flow and think it is prudent to de-lever. And so we will continue to evaluate whether it makes sense to do it sooner or not.

**Shachar Minkove** - *Napier Park Global Capital*

Okay. Do you have other alternatives?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, exactly, yes, based on how we look other alternative uses for the cash, including developing the buy-renovate-sell program.



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**Shachar Minkove** - *Napier Park Global Capital*

But that is -- I mean, as you said I think it's ramping but not moving as fast as you thought it might?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

It's not basically going to achieve the levels we originally assumed when we put out our revenue scenarios. But it is still growing quite nicely even with a tighter underwriting standards.

**Shachar Minkove** - *Napier Park Global Capital*

Okay. And then the other question I had was around Owners.com. Can you talk about how close to profitability is that? And kind of when do you think that gets to profitability?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes. From my perspective, we have very strong conviction with respect to the long-term prospects of owners. If you take a look sort of our performance year-over-year as well as sequentially, it's doing really well. And I think I may have a note somewhere here. If you even look just this quarter, this month, we have something like 140 homes we've put under contract as of a couple of days ago compared to 60 homes that we've put under contract in the full month of July last year. So we're seeing really strong improvements time-based as well as what we consider cohort base based on the leads we're receiving, how we're doing converting those leads. And the prospects -- so the sequential growth is very good and the leading indicators around the improvement in our conversion rates is really, really good. So we're looking sometime toward the middle of next year based on our current planning to have positive marketing contribution. And as you develop positive marketing contribution in these types of businesses, at that point, you want to continue to scale it. So we're seeing very attractive growth. We see a very good path toward getting to a positive marketing contribution and the business is performing really well. And in the meantime, we do hope to bring the losses down some next year, but this is going to be a business we will continue to invest in. The leading indicators are good; the sequential growth is good; and the performance is very good. So we're excited about it.

**Shachar Minkove** - *Napier Park Global Capital*

Okay. And how much investment do you think you need to be making into that over the next 12 to 24 months?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

So we're not going to give guidance today on how we think that business unit is performing. But we do believe we can bring the losses down in that business some next year. But it is also, at the same time, if you have positive marketing contribution, and we have very, very significant competitive advantages in that business, given the investments we've made in all these different services, we should continue -- we believe it can make sense to continue to investing in it. And as you go into new markets, and as you launch, there's a cost to getting into those new markets just like a CoStar, for example. When they were blanketing markets to grab the data on all the office buildings in a market. There is a cost to entering into a market but then that investment pays back over time as you gather all that information, and then sign up your subscriptions, you make money on it. So the same thing applies in Owners. As we get to positive marketing contribution in our markets and scale, those individual markets will become more and more profitable. And then we'll be entering into new markets and you basically repeat. And so there is a cost to repeating that, but long-term, it can be very attractive. In the long-term, we still believe you're looking at 15% to 20% margins even after paying the realtor, who is an agent for our business.



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### Operator

Our next question comes from Ramin Kamali with Crédit Suisse.

### Ramin Kamali - *Credit Suisse*

Congrats Bill on some of the recent wins in field services, and I guess pretty impressive margins you've put forth in that segment. Just related to the prior questions, it seems like still negative contributions in the real estate and the others. Is there anything you can provide in the form of kind of metrics that demonstrates kind of good year-over-year or sequential performance in both the Real Estate Market segment and Other? And I guess, on the steady-state basis, I guess, I don't know when you expect to reach steady-state margins, but what should we expect kind of steady-state margins to look like both on a gross basis and on an EBIT margin basis in both of those segments? And I have some follow-ups as well.

### William B. Shepro - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Look, I think in Real Estate Investor Solutions, we're transitioning that business from doing a lot of the work around selling the homes that RESI didn't want to converting into this buy-renovate-sell program. So we're making money on a unit basis on the homes, but we're not covering our internal cost yet with those profits. So we're working on continuing to improve the profitability of those homes and the scale of that business. And continue to focus on the cost side of the equation. So we feel good about that. In terms of Owners, I think we covered that already. And then in Corporate, it's basically our Financial Services business, NCI, and that business actually is having decent revenue growth and some modest earnings growth as well.

### Ramin Kamali - *Credit Suisse*

So what's the current balance sheet value in the BRS business.

### William B. Shepro - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

I think we have about \$35 million. It's about \$35 million, roughly.

### Ramin Kamali - *Credit Suisse*

And where can that reach at peak investment?

### William B. Shepro - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

I'm not sure, Ramin, we're prepared to talk about that today. But I would say, we're continuing to buy homes. We're also continuing to sell homes. We do expect it to grow. But longer-term, Ramin, as I mentioned in the last call, we look for this to be more of a capital light business. And so we're working pretty hard to develop a program, so we, over time, we can convert this to a capital light opportunity.

### Ramin Kamali - *Credit Suisse*

So one more question, if I may, and then I'll get back in queue. I guess, you've held onto the RESI stock for quite some time now and the management team there has made several comments about internalizing some property management. So any comments on that? Or I guess what's the plan there with that investment?



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**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes, so I think, as I've said in the past, we're not a long-term holder of RESI shares. I've listened to George's calls as well, and he clearly has talked about internalizing property management. I think, more to come there. We're having -- but we're starting to have a dialogue with George, and we'll see. Clearly, it would have to be something that works for both parties, and we're having a very good dialogue with George around that. So more to come.

**Ramin Kamali** - *Credit Suisse*

I guess, I would reiterate some of the prior comments. Your comments in the past about \$60 million of minimum liquidity, you also have a revolver in place. So given where the stock is now, we think you should continue to use cash to delever the company.

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes. And clearly -- yes, thanks, Ramin. We appreciate your support.

**Operator**

Our next question comes from the line of Lee Cooperman with Omega Advisors.

**Leon Cooperman** - *Omega Advisors, Inc.*

For the last couple of years, you've been looking for some inflection point. So let me ask you a qualitative question. In a scale of 1 to 10, 10 being high, 1 being low, how confident are you that 2019 is the inflection point for the Company?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Lee, I won't put a number on it, but I would tell you, we just had a leadership meeting last week and the focus of the meeting was working very hard, so that we can deliver what we hoped to, which is around the same or better earnings, adjusted earnings per share next year. So the leadership team got together for 2 days. We're committed to it. Obviously, there is a lot of wood to chop for us to get there, but we are working very hard to do it, Lee, and I wouldn't be telling you we think we can do it if we weren't going to try really hard to get there and didn't have a reasonable level of confidence we'll get there.

**Leon Cooperman** - *Omega Advisors, Inc.*

Looking at some private market transactions and some of the public companies, some of the businesses you're in, for whatever reason, they sell at extremely high multiples. Have you guys entertained the idea of disgorging some businesses that are not being properly valued within Altisource?

**William B. Shepro** - *Altisource Portfolio Solutions S.A. - Chief Executive Officer*

Yes. So I don't want to talk about those types of individual transactions at Altisource. But clearly, there's been trades, MCS, Auction.com, that were sold at very attractive multiples. And again, to your earlier point, we look to create shareholder value here and we'll continue to analyze what the best options are for the firm and our shareholders.



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Our next question comes from the line of Mike Grondahl with Northern securities.

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**Mike Grondahl - Northland Capital Markets**

With the non-Ocwen revenues falling but sort of EBITDA and EPS is kind of staying the same, what do we think of as the offset?

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**William B. Shepro - Altisource Portfolio Solutions S.A. - Chief Executive Officer**

Yes, Mike, that get back to focusing on the larger opportunities and really making sure we're being tight on the cost side. It's that simple.

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**Mike Grondahl - Northland Capital Markets**

Got it. And then, any sense of revenue from NRZ outside of the Hubzu business?

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**William B. Shepro - Altisource Portfolio Solutions S.A. - Chief Executive Officer**

So, if you remember, when we first signed the Cooperative Brokerage Agreement with NRZ, we also were going to get the REO referrals off of that -- the PLS portfolio, NRZ was acquiring from PHH. My understanding of that transaction hasn't closed yet, so we haven't received any revenue. But that would probably be an opportunity that will come at some point. And we continue to have a good dialogue with NRZ, but there's nothing else that we're working with them at this point.

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**Operator**

I'm not showing any further questions in queue at this time.

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**William B. Shepro - Altisource Portfolio Solutions S.A. - Chief Executive Officer**

Thanks for joining the call, and we'll speak to you next quarter. Thanks again.

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**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program and you may now disconnect. Everyone, have a great day.

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