



February 13, 2014

Altisource Announces Strong Fourth Quarter and Full Year Results

LUXEMBOURG, February 13, 2014 (GLOBE NEWSWIRE) -- Altisource Portfolio Solutions S.A. ("Altisource") (Nasdaq:ASPS) today reported record fourth quarter and full year service revenue and record full year net income attributable to shareholders. The growth in service revenue and net income was primarily driven by the continued growth of our largest customer, Ocwen Financial Corporation ("Ocwen"), and growth of the Financial Services' mortgage charge-off and customer relationship management businesses.

Full Year 2013 Results Compared to 2012:

- Service revenue of \$662.1 million, a 42% increase
- Net income attributable to Altisource of \$130.0 million, a 17% increase
- Diluted earnings per share of \$5.19, a 17% increase
- Cash from operations of \$185.5 million, a 59% increase
- Return on equity of 78%, compared to 58% in 2012

Fourth Quarter 2013 Results Compared to Fourth Quarter 2012:

- Service revenue of \$192.4 million, a 58% increase
- Net income attributable to Altisource of \$35.5 million, a 17% increase
- Diluted earnings per share of \$1.42, an 18% increase
- Cash from operations of \$50.8 million, a 162% increase

"2013 was a very strong year for Altisource, growing both organically as well as through strategic acquisitions. Earnings growth was slower than revenue as we continued to invest in the business to support our future growth. We are well positioned with our core business and our growth initiatives for an even better 2014. Further, we intend to continue our aggressive share repurchase program¹," said Chairman William Erbey.

Full year and fourth quarter 2013 highlights include:

- The average number of loans serviced by Ocwen on REALServicing[®] totaled 1.2 million in 2013 and 1.5 million in the fourth quarter of 2013
- On November 15, 2013, we acquired Equator, LLC ("Equator"), a national leader in mortgage and real estate related business process management solutions, for an initial purchase price of \$63.4 million plus contingent earn-out consideration of up to an additional \$80 million over three years, subject to Equator achieving annual performance targets
- On March 29, 2013, we completed the acquisition of the Homeward Residential, Inc. fee-based businesses from Ocwen for an aggregate purchase price of \$75.8 million
- On April 12, 2013, we completed the Residential Capital, LLC fee-based business transaction with Ocwen for an aggregate purchase price of \$128.8 million
- On May 7, 2013, we increased borrowings under our senior secured term loan agreement to \$400 million. Furthermore, on December 9, 2013, we refinanced the senior secured term loan which, among other changes, lowered the interest rate of the term loan
- We repurchased 1.2 million shares of our common stock under our stock repurchase program during 2013 at an average price of \$116.99 per share

William Shepro, Chief Executive Officer, further commented, "During 2013, we focused on providing high quality services to our largest customer, Ocwen, improving our margins in our default related services businesses and developing our growth engines. With the progress made in 2013, we believe we are on track to achieve pre-tax income as a percentage of service revenue of 47% in our default related services businesses by the end of the first quarter of 2014. Further, we continue to make good progress on our growth initiatives and are optimistic that they will serve as an important longer term component of our revenue and customer diversification strategy."

Forward-Looking Statements

This press release contains forward-looking statements that involve a number of risks and uncertainties. Those forward-looking statements include all statements that are not historical fact, including statements about management's beliefs and expectations. Forward-looking statements are based on management's beliefs as well as assumptions made by and information currently available to management. Because such statements are based on expectations as to future economic performance and are not statements of historical fact, actual results may differ materially from those projected. The Company undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. The risks and uncertainties to which forward-looking statements are subject include, but are not limited to: Altisource's ability to retain existing customers and attract new customers; general economic and market conditions; governmental regulations, taxes and policies; availability of adequate and timely sources of liquidity; and other risks and uncertainties detailed in the "Forward-Looking Statements," "Risk Factors" and other sections of the Company's Form 10-K and other filings with the Securities and Exchange Commission.

Webcast

Altisource will host a webcast at 11:00 a.m. EST today to discuss our fourth quarter and full year results. A link to the live audio webcast will be available on the Company's website through the Investor Relations home page. Those who want to listen to the call should go to the website fifteen minutes prior to the call to register, download and install any necessary audio software. A replay of the conference call will be available via the website approximately two hours after the conclusion of the call and will remain available for approximately 30 days.

About Altisource

Altisource is a premier marketplace and transaction solutions provider for the real estate, mortgage and consumer debt industries offering both distribution and content. We leverage proprietary business process, vendor and electronic payment management software and behavioral science based analytics to improve outcomes for marketplace participants. Additional information is available at www.altisource.com.

¹ February 2014, Altisource filed a preliminary proxy with the Securities and Exchange Commission (the "SEC"). We intend to file a definitive proxy followed by a shareholder meeting to present a proposal for shareholder approval to repurchase up to 15% of our common stock. Any solicitation of approval of this proposal will be made only pursuant to such definitive proxy, which you should review for more information. You will be able to obtain a free copy of the definitive proxy when it becomes available at the website maintained by the SEC at www.sec.gov.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

| | Three months ended | | Years ended | |
|--|--------------------|----------------|-----------------|-----------------|
| | December 31, | | December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service revenue | | | | |
| Mortgage Services | \$ 139,752 | \$ 91,982 | \$ 490,333 | \$ 351,908 |
| Financial Services | 26,220 | 14,879 | 92,479 | 63,979 |
| Technology Services | 33,702 | 20,205 | 103,891 | 74,189 |
| Eliminations | <u>(7,233)</u> | <u>(5,327)</u> | <u>(24,644)</u> | <u>(23,147)</u> |
| | 192,441 | 121,739 | 662,059 | 466,929 |
| Reimbursable expenses | 29,417 | 18,301 | 102,478 | 96,147 |
| Non-controlling interests | <u>727</u> | <u>1,061</u> | <u>3,820</u> | <u>5,284</u> |
| Total revenue | 222,585 | 141,101 | 768,357 | 568,360 |
| Cost of revenue | 114,868 | 69,115 | 390,002 | 270,054 |
| Reimbursable expenses | <u>29,417</u> | <u>18,301</u> | <u>102,478</u> | <u>96,147</u> |
| Gross profit | 78,300 | 53,685 | 275,877 | 202,159 |
| Selling, general and administrative expenses | <u>33,783</u> | <u>20,227</u> | <u>113,810</u> | <u>74,712</u> |
| Income from operations | 44,517 | 33,458 | 162,067 | 127,447 |
| Other income (expense), net: | | | | |

| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| Interest expense | (5,989) | (1,171) | (20,291) | (1,210) |
| Other income (expense), net | <u>28</u> | <u>(688)</u> | <u>557</u> | <u>(1,588)</u> |
| Total other income (expense), net | (5,961) | (1,859) | (19,734) | (2,798) |
| Income before income taxes and non-controlling interests | 38,556 | 31,599 | 142,333 | 124,649 |
| Income tax provision | <u>(2,313)</u> | <u>(245)</u> | <u>(8,540)</u> | <u>(8,738)</u> |
| Net income | 36,243 | 31,354 | 133,793 | 115,911 |
| Net income attributable to non-controlling interests | <u>(727)</u> | <u>(1,061)</u> | <u>(3,820)</u> | <u>(5,284)</u> |
| Net income attributable to Altisource | <u>\$ 35,516</u> | <u>\$ 30,293</u> | <u>\$ 129,973</u> | <u>\$ 110,627</u> |

Earnings per share:

| | | | | |
|---------|----------------|----------------|----------------|----------------|
| Basic | <u>\$ 1.56</u> | <u>\$ 1.30</u> | <u>\$ 5.63</u> | <u>\$ 4.74</u> |
| Diluted | <u>\$ 1.42</u> | <u>\$ 1.20</u> | <u>\$ 5.19</u> | <u>\$ 4.43</u> |

Weighted average shares outstanding:

| | | | | |
|---------|---------------|---------------|---------------|---------------|
| Basic | <u>22,734</u> | <u>23,389</u> | <u>23,072</u> | <u>23,358</u> |
| Diluted | <u>25,005</u> | <u>25,162</u> | <u>25,053</u> | <u>24,962</u> |

Transactions with related parties:

| | | | | |
|--|------------|-----------|------------|------------|
| Revenue | \$ 147,198 | \$ 80,736 | \$ 502,087 | \$ 338,227 |
| Selling, general and administrative expenses | 788 | 629 | 2,921 | 2,430 |
| Other income | -- | 86 | 773 | 86 |

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

| | <u>December 31,</u> | |
|---|---------------------|-------------------|
| | <u>2013</u> | <u>2012</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 130,324 | \$ 105,502 |
| Accounts receivable, net | 101,297 | 88,955 |
| Prepaid expenses and other current assets | 11,389 | 7,618 |
| Deferred tax assets, net | <u>2,837</u> | <u>1,775</u> |
| Total current assets | 245,847 | 203,850 |
| Premises and equipment, net | 87,252 | 50,399 |
| Deferred tax assets, net | 622 | 4,073 |
| Intangible assets, net | 276,162 | 56,586 |
| Goodwill | 97,375 | 14,915 |
| Investment in Correspondent One | -- | 12,729 |
| Loan to Ocwen | -- | 75,000 |
| Other assets | <u>17,580</u> | <u>11,674</u> |
| Total assets | <u>\$ 724,838</u> | <u>\$ 429,226</u> |

LIABILITIES AND EQUITY

Current liabilities:

| | | |
|---------------------------------------|-----------|-----------|
| Accounts payable and accrued expenses | \$ 79,492 | \$ 58,976 |
|---------------------------------------|-----------|-----------|

| | | |
|--|-------------------|-------------------|
| Current portion of long-term debt | 3,975 | 2,000 |
| Current portion of capital lease obligations | -- | 233 |
| Deferred revenue | 36,742 | 2,482 |
| Other current liabilities | <u>10,131</u> | <u>7,941</u> |
| Total current liabilities | 130,340 | 71,632 |
| Long-term debt, less current portion | 391,281 | 196,027 |
| Other non-current liabilities | 45,476 | 1,738 |
| Equity: | | |
| Common stock (\$1.00 par value; 100,000 shares authorized; 25,413 issued and 22,629 outstanding as of December 31, 2013; 25,413 issued and 23,427 outstanding as of December 31, 2012) | 25,413 | 25,413 |
| Additional paid-in-capital | 89,273 | 86,873 |
| Retained earnings | 239,561 | 124,127 |
| Treasury stock, at cost (2,784 shares as of December 31, 2013 and 1,986 shares as of December 31, 2012) | <u>(197,548)</u> | <u>(77,954)</u> |
| Altisource equity | 156,699 | 158,459 |
| Non-controlling interests | <u>1,042</u> | <u>1,370</u> |
| Total equity | <u>157,741</u> | <u>159,829</u> |
| Total liabilities and equity | <u>\$ 724,838</u> | <u>\$ 429,226</u> |

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 133,793 | \$ 115,911 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,056 | 12,776 |
| Amortization of intangible assets | 28,176 | 5,030 |
| Share-based compensation expense | 2,400 | 3,644 |
| Equity in losses of and impairment loss on investment in affiliate | 176 | 1,741 |
| Bad debt expense | 2,549 | 3,049 |
| Amortization of debt discount | 223 | 27 |
| Amortization of debt issuance costs | 958 | 57 |
| Deferred income taxes | 2,015 | 2,992 |
| Loss on sale or disposal of fixed assets | 1,309 | 445 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | (5,602) | (39,999) |
| Prepaid expenses and other current assets | (2,817) | (2,616) |
| Other assets | (1,586) | 2,172 |
| Accounts payable and accrued expenses | 7,381 | 11,652 |
| Other current and non-current liabilities | <u>(2,557)</u> | <u>(352)</u> |
| Net cash flows provided by operating activities | <u>185,474</u> | <u>116,529</u> |

| | | |
|---|------------------|------------------|
| Cash flows from investing activities: | | |
| Additions to premises and equipment | (34,134) | (35,563) |
| Acquisition of businesses, net of cash acquired | (267,946) | -- |
| Investment in equity affiliate | (50) | -- |
| Proceeds from sale of equity affiliate | 12,648 | -- |
| Proceeds from loan to Ocwen | 75,000 | -- |
| Loan to Ocwen | -- | (75,000) |
| Change in restricted cash | <u>(1,462)</u> | <u>--</u> |
| Net cash flows used in investing activities | <u>(215,944)</u> | <u>(110,563)</u> |

| | | |
|--|----------------|----------------|
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 200,502 | 198,000 |
| Repayment of long-term debt | (3,496) | -- |
| Distribution of cash in connection with the Separation of the Residential Asset Businesses | -- | (105,000) |
| Debt issuance costs | (3,200) | (4,317) |
| Principal payments on capital lease obligations | (233) | (603) |
| Proceeds from stock option exercises | 6,885 | 3,214 |
| Purchases of treasury stock | (141,018) | (16,781) |
| Contributions from non-controlling interests | 28 | 43 |
| Distributions to non-controlling interests | <u>(4,176)</u> | <u>(7,145)</u> |
| Net cash flows provided by financing activities | <u>55,292</u> | <u>67,411</u> |

| | | |
|--|--------------------------|--------------------------|
| Net increase in cash and cash equivalents | 24,822 | 73,377 |
| Cash and cash equivalents at the beginning of the period | <u>105,502</u> | <u>32,125</u> |
| Cash and cash equivalents at the end of the period | <u><u>\$ 130,324</u></u> | <u><u>\$ 105,502</u></u> |

| | | |
|-------------------------------------|-----------|----------|
| Supplemental cash flow information: | | |
| Interest paid | \$ 19,325 | \$ 1,134 |
| Income taxes paid, net | 3,671 | 4,912 |

| | | |
|--|-------|-------|
| Non-cash investing and financing activities: | | |
| Amortization of tax-deductible goodwill | -- | 3,334 |
| Premises and equipment purchased on account | 4,552 | 2,457 |

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