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PARTICIPANTS

Corporate Participants

Michelle D. Esterman – Chief Financial Officer, Altisource Portfolio Solutions SA
William C. Erbey – Chairman, Altisource Portfolio Solutions SA
William B. Shepro – Chief Executive Officer & Director, Altisource Portfolio Solutions SA

Other Participants

Mike J. Grondahl – Analyst, Piper Jaffray, Inc.
Fred Small – Analyst, Compass Point

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Altisource Portfolio Solutions Third Quarter Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's program is being recorded.

I would now like to introduce your host for today's program, Michelle Esterman, Chief Financial Officer. Please go ahead.

Michelle D. Esterman, 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. These provide additional information investors may find useful.

Our presentation today contains forward-looking statements made pursuant to the Safe Harbor provisions of the federal securities laws. Statements in this conference call and in our press release issued earlier today, which are other than historical fact, are forward-looking statements. Factors that might cause actual results to differ materially are discussed in our earnings release as well as our public filings.

The company disclaims any intent or obligation to publicly update or revise any forward-looking statements, regardless of whether new information becomes available, future developments occur, or otherwise. Joining me for today's call are Bill Erbey, our Chairman; and Bill Shepro, our Chief Executive Officer.

I would now like to turn the call over to Bill Erbey.

William C. Erbey, Chairman

Thank you, Michelle. Good morning and thank you for joining today's call. This past August marks our fourth anniversary as a stand-alone public company. During this four-year period, we have had strong growth and created tremendous shareholder value.

Our cumulative annual service revenue growth has been 34%, earnings per share growth has been 52%, and as you can see on Slide 4, our stock price has increased by 11 times, since our separation from Ocwen. If you include the current stock prices of Altisource Residential and Altisource Asset Management, the two companies we distributed to our shareholders last December, our combined stock price has grown to $200, or by 16 times since we separated.

This morning, I'll discuss our evolving vision for Altisource and how our acquisition of Equator supports this vision. Michelle will discuss our financial results for the quarter and Bill will describe our third-quarter operations, growth initiatives and Equator acquisition in greater detail.

For the last four years, many have defined Altisource by the default-related services we provide our customers, principally Ocwen. Our affinity relationship with Ocwen provided a foundation on which we built our business and remains an important priority for us. Altisource's vision, however, has evolved to become the premier provider of real estate and mortgage marketplaces, offering both distribution and content.

The Equator acquisition with its marketplace, and real estate and servicing transaction solutions, is in line with this vision and accelerates our evolution and growth. As you can see on Slide 5, we are acquiring Equator for $70 million of initial consideration and up to $80 million in additional consideration, contingent upon achieving future earnings targets. We are using cash to pay for the acquisition, making it a highly accretive transaction. Even if we use stock to pay for Equator, the acquisition would still be accretive even without the expected synergies.

At the end of the quarter, we had $213 million in cash. After paying $70 million for Equator, we still have a significant amount of cash that we haven't deployed. We can use this cash for other acquisitions that are in line with our vision and to repurchase shares.

Let me spend a few minutes expanding on Altisource's vision as depicted on Slide 6. As I mentioned, we are focused on providing marketplaces to the real estate and mortgage industries. Within these industries, we are facilitating transactions related to home sales, home rentals, home maintenance, mortgage origination and mortgage servicing. We like these markets because they are all large.

As you can see on Slide 7, over five million homes were sold in the United States this past year for $1.3 trillion. Capturing a mere 1% sales commission would translate into a $13 billion opportunity. Additionally, there are over 20 million one to four family rental homes in the United States. Applying the estimated recurring annual property and lease management revenue we earn from Residential to the entire market translates into a $24 billion annual opportunity.

As for home maintenance, there are over 76 million owner-occupied homes in the United States, and those owners spend $396 per year on home maintenance, translating into a $30 billion opportunity. In the mortgage market, almost seven million loans, totaling $1.6 trillion are expected to be originated in 2013, and an estimated 1.5% of this amount is spent on services, translating to a $24 billion opportunity.

To bring our vision to life, let me provide you with a few examples. Turning to Slide 8, through the Equator and Hubzu marketplaces, we are connecting home buyers and home sellers. Equator's marquis customer list includes four of the top six U.S. banks and GSEs.

Equator offers business process management solutions to manage real estate throughout the resolution process, and a marketplace to order all other related services, including hiring real estate agents to sell the homes. Hubzu is an online transaction portal that sells homes listed by real estate agents.

There are two opportunities to leverage the combination of Equator and Hubzu. First, we want to make it easy for Equator's customers and agents to sell their real estate on Hubzu. The Equator platform also has more than 450,000 registered real estate agents, representing 43% of all residential real estate agents in the United States. Second, we want to make it easy for Hubzu's customers to use the Equator marketplace to order services already offered on Equator associated with a home purchase transaction.

For the mortgage originations marketplace, we connect borrowers with lenders, and lenders with investors. We are leveraging our affinity relationship with Lenders One to grow this marketplace. In addition to the loan closing and sale, we believe 15 to 20 services are ordered in connection with loan origination. We want to make it very easy for originators to order and pay for services associated with a loan closing. To fully develop this marketplace, we need to complete the development of our next-generation technology to allow the Lenders One members to order and pay for services in a seamless fashion.

We have made significant progress in establishing efficient real estate and mortgage marketplaces, and the Equator acquisition expands the distribution channels for the extensive content we've developed at Altisource. We remain focused on providing a quality experience for marketplace participants engaged in home sales, home rentals, home maintenance, mortgage origination and mortgage servicing. We believe our vision for Altisource positions us to competitively serve these large markets and allows us to adapt as market conditions shift over time.

I will now turn the call over to Michelle for a financial update. Michelle.

Michelle D. Esterman, Chief Financial Officer

Thank you, Bill. This morning we reported third quarter 2013 service revenue of $180.4 million, net income attributable to shareholders of $36.0 million and diluted earnings per share $1.42. Slides 9 through 11 provide highlights of our results for the current quarter compared to prior periods. We are very pleased with our operating results, given the partial benefit the Mortgage and Technology Services segments received from Ocwen's acquisition of the ResCap servicing platform and the excess staff we are carrying in the Mortgage Services segment to support the expected additional loan boardings on REALServicing through the second quarter of 2014.

Service revenue increased 12% from the second quarter of 2013, primarily due to Ocwen's Homeward and ResCap acquisitions, along with the expansion of Financial Services' customer relationship management business due to new customer acquisitions and existing customer growth.

As you can see on Slide 16, service revenue per delinquent loan for non-GSE loans, a key driver of our default-related services revenue, increased from $371 in the second quarter of 2013 to $395 in the third quarter of 2013. The increase was driven by the heightened volume of our lower margin property inspection and preservation referrals on the Homeward and ResCap portfolios.

Net income attributable to shareholders in the third quarter of 2013 was 16% higher than the second quarter of 2013, primarily from revenue growth, partially offset by higher interest expense from the additional $200 million of debt obtained in May of this year.

Our third quarter 2013 gross profit as a percentage of service revenue of 42% is consistent with the same period in 2012 and declined from 43% in the second quarter of 2013. The lower third quarter gross margin relates to lower Mortgage Services margins, primarily from revenue mix. This was partially offset by higher revenue in our Technology Services segment from the increase in loans on REALServicing and improved performance in our Financial Services segment from the mortgage

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charge-off business and the customer relationship management growth. With respect to the Mortgage Services revenue mix, we experienced a disproportionately high volume of lower margin property inspection and preservation referrals from the Homeward and ResCap portfolios. When a portfolio boards, these are typically the initial referrals received.

Operating income as a percentage of service revenue increased by 1% from the second quarter of 2013 and decreased by 1% from the third quarter of 2012. The improvement over the second quarter illustrates the impact of revenue growth in excess of selling, general and administrative costs. The reduction over the third quarter of 2012 was largely from the amortization of intangible assets from the acquisitions of the Homeward and ResCap fee-based businesses in 2013. Removing the impact of this amortization from the third quarter of 2013, operating margins are 300 basis points higher than the third quarter of 2012 as a result of stabilizing SG&A expenses on higher service revenue. We believe our operating margins will continue to increase as the remaining ResCap and OneWest non-GSE loans are boarded on REALServicing and as we continue executing on our cost reduction initiatives.

From a cash perspective, we generated $67.2 million in operating cash flow in the third quarter of 2013, representing $0.37 for every dollar of service revenue. During the first half of 2013, we generated $67.5 million in operating cash flow, representing $0.23 for every dollar of service revenue. The increase in operating cash flow primarily relates to net income growth and the collection of accounts receivable during the third quarter. We used cash from operations during the third quarter to repurchase $35.8 million of Altisource common stock, representing 266,000 shares at an average purchase price of $134.86 per share, and to invest $7.1 million in facilities and technology to support our growth.

At the end of the quarter, our cash balance was $212.6 million. We plan to use $70 million of this cash to acquire Equator and intend to use the remaining cash to repurchase shares and to support general corporate purposes.

With regard to share repurchases, we believe the purchase of our shares provides a tax-efficient way to return value to our shareholders when the shares are attractively priced. Slide 12 provides a summary of our share buyback restrictions, including the senior secured term loan agreement, Luxembourg law and the shareholder authorization. As of September 30, 2013, we estimate that we have the ability under these restrictions to repurchase $38.3 million of shares, should we choose to do so. Under Luxembourg law, our share repurchase capacity increases each month based on our Luxembourg net income for that period.

I will now turn the call over to Bill for a discussion of our operations, growth initiatives and the Equator acquisition. Bill.

William B. Shepro, Chief Executive Officer & Director

Thanks, Michelle. This morning, I'll discuss our third quarter operations and margin expansion plan, the progress we're making on our growth initiatives and the Equator acquisition.

Operationally, the third quarter was strong, achieving record service revenue and earnings per share while focusing on loan boardings and efficiency initiatives. Throughout the quarter, we supported Ocwen, as they boarded approximately 400,000 loans to REALServicing.

With regard to margins, we remain largely on plan to increase margins in our default-related services businesses by seven percentage points over 2012 even after amortizing the intangible assets associated with the Homeward and ResCap transactions. Given the modest delay in some of the loan boardings to REALServicing, we now believe that we'll achieve this margin improvement

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in the first quarter of 2014. As part of our margin improvement plan, we are focused on revenue growth, employee efficiency, reducing the cost of outside goods and services and bringing certain services provided by vendors in-house at a lower total cost.

Turning to our growth initiatives, we have outlined our marketplaces and transaction solutions initiatives on Slide 13. We are making good progress on all of these. This morning I'll update you on three: 1) deploying Hubzu to other institutions and the non-distressed home sales market; 2) providing asset management services to the single family rental market; and 3) growing our origination related services.

Beginning with Hubzu, with over 23,000 homes sold in the last 12 months, and over $60 million of service revenue generated from these sales, Hubzu has established a solid footing as an online marketplace to sell real estate. However, with over five million homes sold in the U.S. during the same time period, there is significant room for growth. We have two primary areas of focus. First is to generate more revenue per home sale transaction on Hubzu and the second is to drive more real estate listings to Hubzu.

To generate greater average revenue per home sale transaction, we are focused on selling more homes through auction. We earn more revenue on homes sold through auction compared to our traditional online sales process. During the quarter, we made several key enhancements to our auction format and design. As a result, we expect the percentage of properties going under contract through auction to increase.

To drive more listings to Hubzu, we are developing and growing relationships with servicers, asset managers and real estate agents. With respect to servicers and asset managers, we're focused on selling their REO and short sales on Hubzu. In addition to Ocwen, we signed agreements with two companies and are in contract negotiations or advanced sale stages with five others. We also launched the direct-to-broker program in July to allow agents to sell their listings on Hubzu. We are receiving very good feedback and are actively working to make the agent and homebuyer experience better. As of the end of the quarter, over 15% of homes for sale on Hubzu are non-distressed.

With respect to asset management services for the single family rental market, we are developing this marketplace leveraging our long-term agreement with Altisource Residential. Residential is focused on acquiring and managing single family rental properties by acquiring portfolios of sub-performing and non-performing residential mortgage loans throughout the United States.

Residential anticipates that there are three outcomes for the pool of loans it purchases. 1) approximately 15% of the loans will be refinanced primarily through Ocwen's origination arm, 2) approximately 35% of the loans will be resolved and the underlying real estate assets sold, and 3) approximately half of the loans will be resolved and the underlying real estate assets will be converted to rentals. Altisource earns revenue in all three scenarios. Given Residential's recent $350 million secondary offering and its acquisition pipeline of non-performing loans, we believe Residential and our growth prospects are very good.

To grow our origination related services, we are focused on providing services to Ocwen's origination platform and the Lenders One members. During the third quarter, our origination related service revenue decreased 14% compared to the second quarter of 2013, but fared better than the estimated overall origination market decline of 25% during the same period. Even though our decline was approximately 45% less than the market, we can do better.

There have been two impediments to our origination related growth. First, during the strong refinance market experienced over the past few years, lenders have been focused more on originating loans than on reducing their costs. With increasing interest rates and refinance volumes

declining, we believe lenders will become more focused on costs. Second, lenders want technology that makes it easy to order, receive and pay for services through their loan origination platforms. While we have the framework of the next generation vendor and payment management technology to do this, we have first deployed our technology resources on the development of our next generation REALFoundation and REALServicing technologies. Once these technologies are appropriately staffed and the development cadence is in place, we expect to deploy a team to complete the development and implementation of the origination related technology for the Lenders One members. We believe the shifting market conditions and the completion of our technology will support the growth of our originations related revenue.

Turning to Slide 14, we are very excited to be acquiring Equator. The Equator business fits very nicely into our vision for Altisource, bringing with it a talented and innovative team of technology professionals and an attractive customer base. Together with Altisource, the combined companies provide services and technology to five of the top six U.S. mortgage servicers and GSEs.

We are initially focused on four revenue expansion opportunities with Equator: 1) growing its core business, 2) offering Altisource's Mortgage Services through the Equator marketplace with an initial focus on Hubzu, 3) offering our technology solutions to Equator's customers and, in time 4) leveraging the Equator's large real estate agent network to drive more non-distressed listings to Hubzu.

With the government shutdown, our regulatory approval of the acquisition has been delayed. We are optimistic we will be able to close in the fourth quarter of this year.

At this time, we would like to open up the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Our first question comes from the line of Mike Grondahl from Piper Jaffray. Your question, please.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Yes. Thanks guys and congratulations on the progress. First off, could you talk about the short sale initiative you had with Ocwen and how that has progressed?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes. Mike, this is Bill. Yes, we are making good progress there. I think we have over, about 250 homes where we're in the process of coordinating the short sale. We have a long way to go to get where we want to be, but it's a good start a couple of months into it.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay. And I did read in the 10-Q this morning, you make the statement that you're fully staffed for the volume of loans that are going to be boarded, I mean does that essentially mean you don't need a single person as, I mean the boardings are significant, I mean it's a million to a million and a half loans?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes, Mike, I mean we have some open positions in our Mortgage Services segment related to originations and there are some positions, but not many, related to the default-related services. In fact, we're very focused on efficiency initiatives to continue to – to be able to further scale the business.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay. And then just lastly, the unit sales at Hubzu was down a little bit, any reason for that or what would you attribute it to?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes, Mike. Historically, we've primarily been selling Ocwen's REO assets. So, it's just a function of the inventory we're receiving from Ocwen and our performance has been the same or improving in terms of our turn times and timelines on those assets. As we focus now a lot more in getting other clients' business and the direct-to-broker operation off the ground, we hope to see that growth or we would expect to see that growth, in addition with Ocwen's acquisition of the new portfolios, over time we'll be getting all those REO referrals as well.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay, thank you.

Operator: Thank you. Our next question comes from the line of Fred Small from Compass Point. Your question, please.

<Q – Fred Small – Compass Point>: Hi, guys. On Mortgage Services segment margin, I just wanted to make sure I understand. So, the Mortgage Services overall came in at a 30% – 33% something like that in the third quarter and sort of at the end of 2012 or total 2012 was about 40%. So you still think that by the first quarter of 2014, getting back to sort of a 45% plus run rate?

<A – Michelle Esterman – Altisource Portfolio Solutions SA>: That's right. I think what we've talked about is a 7% margin improvement over 2012.

<A – Bill Shepro – Altisource Portfolio Solutions SA>: And it's for the default-related businesses, but the majority of that segment is default...

<Q – Fred Small – Compass Point>: That's default. Right. Okay, great. Thanks.

<A – Michelle Esterman – Altisource Portfolio Solutions SA>: And what you've seen in that business, as I mentioned, is a much higher volume of lower margin property inspection and preservation orders from – you initially get those with boardings of portfolio.

<Q – Fred Small – Compass Point>: Great, thanks.

Operator: Thank you. [Operator Instructions] And we have a follow-up question from the line of Mike Grondahl from Piper Jaffray. Your question, please.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Yes. Just a follow-up on Hubzu. The two customers you've signed and the five you are in discussion with, when would you think some of their volume flows over, Bill?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes. So, Mike, we've already started getting volume from those two customers. I don't think we've sold any of the assets yet, we're still working through the initial pre-marketing work with them. And we feel pretty good that we're going to sign up additional customers. We are in active contract negotiations in some cases, and in other cases, we're going through the vendor management process before we negotiate the contract, but we feel good about it.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay. And then in terms of the non-distressed opportunity for Hubzu, I mean it looks like you're clearly getting the listings there, any comment on how actual sales are going or do we kind of got to wait another quarter there?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes. Right now, what we're doing is working very closely with some brokerage firms that are willing to partner up with us to make sure the experience is really good, Mike. And then we're also very focused on improving the conversion rate, basically those that are listed on the site, actually getting them under contract and closed. Today, that's a pretty low number, but we're actively working on improving it with the brokerage firms that are partnering with us.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay. And then....

<A – Bill Shepro – Altisource Portfolio Solutions SA>: It's a start-up business and it's going to take some time and there's some just normal growing pains we're going through, but we still feel really good about it.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay. Lastly, just the Financial Services business had a nice sequential improvement, a kind of a huge year-over-year improvement, is that still the second lien charge-off business? Is that primarily responsible there and how do we think about that going forward?

<A – Bill Shepro – Altisource Portfolio Solutions SA>: Yes. So I think you saw growth both in the charge-off business and in the inside of accounts receivable management as well as the customer relationship management business where we signed two new customers this year. And going forward, we still expect the fourth quarter seasonally is a slower quarter for the charge-off business, but going into next year, we still see growth in those businesses, in the Financial Services businesses over this year.

<Q – Mike Grondahl – Piper Jaffray, Inc.>: Okay, thanks a lot.

Operator: Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Michelle Esterman.

Michelle D. Esterman, Chief Financial Officer

Thank you for joining today's call. Have a great day.

Operator: Thank you, ladies and gentlemen for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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