THOMSON REUTERS STREETEVENTS

TRANSCRIPT

ASPS - Q4 2017 Altisource Portfolio Solutions S.A. Earnings Call

EVENT DATE/TIME: FEBRUARY 22, 2018 / 4:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

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

Michelle D. Esterman *Altisource Portfolio Solutions S.A. - Executive Vice President, Finance*

CONFERENCE CALL PARTICIPANTS

Leon Cooperman *Omega Advisors, Inc.*

Mike Grondahl *Northland Capital Markets*

Pierce Dever *Piper Jaffray Companies*

Ramin Kamali *Credit Suisse*

Scott Burg *Deer Park Road Corporation*

Cristian Cibrario *GLG Partners*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Altisource Fourth Quarter Conference Call. (Operator Instructions)

I would now like to turn the conference over to Indroneel Chatterjee, Chief Financial Officer. Please begin.

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-K and quarterly slides are available on our website at www.altisource.com. These provide additional information investors may find useful. I would like to remind you that 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-K, as well as the risk factors contained in our Form 10-K. 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, quarterly slides and Form 10-K, you will find additional disclosures regarding the non-GAAP measures. A 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 Chief Executive Officer. I would now like to turn the call over to Bill.

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

Good morning and thank you for joining today's call. Before I discuss our 2017 results and our outlook for 2018, I want to highlight a few key factors that are set forth on slide 3, which we believe are significant for our investors, lenders and other stakeholders.

First, Altisource is a capital-light company with long-term customer contracts.

Second, Altisource generates strong operating cash flow and has limited CapEx requirements.

Third, our momentum of customer wins accelerated in Q3 and Q4 and continues into 2018.

Fourth, we have been and are investing in our businesses to support our competitive positioning and the tremendous opportunities our newer businesses represent.

Fifth, two competitors, one field services provider and the other in the online auction space, recently sold at very attractive multiples relative to our market valuation.

And finally, we believe 2018 will be an inflection point for Altisource, with anticipated 2019 adjusted pretax income, equal to or greater than 2018, with growth in the following years.

Turning to our 2017 results and slide 8. Altisource generated $900 million of service revenue and $2.80 of adjusted diluted earnings per share, excluding the $284 million net income tax benefit we recorded in the fourth quarter. This translates into $110 million of adjusted operating cash flow or $100 million after CapEx. This is also after expensing approximately $60 million of investments in 2017, a number which should decline going forward. We believe these investments will generate long-term value for our shareholders and help us exploit the strong opportunities in our addressable markets.

Service revenue was 105% of the mid-point of our scenarios, the higher service revenue was driven by greater revenue from Ocwen, partially offset by lower growth in revenue from non-Ocwen customers. With respect to non-Ocwen customers, we are disappointed that we did not meet our growth expectations for 2017, but we believe we are well positioned for 2018 and beyond. We believe the pause in growth was primarily caused by some current and prospective clients deciding to perform additional diligence on Altisource following the CFPB and state actions against Ocwen in April 2017 and the uncertainty associated with NRZ's announcement in May that it was acquiring servicing rights from Ocwen. This additional diligence largely affected timing, not wins, as evidenced by our recent success at winning new business and growing market share with existing customers as shown on slide 9.

Adjusted earnings per share of $2.80 was 102% of the mid-point. We benefited from the higher service revenue I just discussed, a lower effective tax rate and fewer diluted shares, partially offset by higher investments in our newer businesses.

We generated $110 million in adjusted cash flow from operations, adjusting for $28 million paid in 2017 for a 2016 litigation settlement, and increased real estate investments in the buy-renovate-lease-sell business, which I'll refer to as BRS. We opportunistically purchased $60.1 million in par value of our senior secured term loan at an average discount of 10.7%, generating a $5.6 million gain.

We also used $39 million to repurchase 1.6 million shares of our stock at an average price of $23.84, bringing outstanding shares to approximately 17.4 million. We ended the year with $154.2 million of cash and marketable securities, and $259.4 million of net debt less marketable securities. As you can see on slide 10, this marks a reduction of 40% since the beginning of 2015, the year we began our discounted debt buy-back program. During the fourth quarter, we amended our credit agreement to allow direct debt buybacks from the market and permit the corporate restructuring I will discuss next.

The $284 million net income tax benefit recorded in the fourth quarter relates to the merger of two of the Company's Luxembourg subsidiaries, the impact of statutory tax rate changes in the U.S. and Luxembourg and foreign income tax reserves. In December 2017, the company merged two of its Luxembourg subsidiaries in an internal restructuring plan to simplify and streamline the company's structure. For Luxembourg tax purposes, the transaction was recognized at fair value and generated a net operating loss of $1.3 billion. This NOL is not subject to any limitation on its usage and has a 17 year life. In short, we should not pay cash taxes on $1.3 billion of taxable income generated in Luxembourg over the next 17 years.

Now turning to our 2018 scenarios set forth on slide 11. As you can see, at the mid-point, we project total service revenue of $855 million which includes $320 million of non-Ocwen and non-NRZ revenue. This represents a 5% decline in total service revenue but 34% growth in non-Ocwen and non-NRZ revenue. Slide 12 reflects our updated estimates with respect to the Ocwen/NRZ portfolios. The anticipated primary drivers of the growth from other customers include expanding market share and adding new clients in our property preservation business, higher home sales volumes in our BRS business, growing origination revenue from existing and new platform customers, growth in Owners.com home closings and other customer wins.

To provide you with additional color around our Servicer Solutions and Origination Solutions' growth, slide 9 shows a summary of what we believe our 2017 and first quarter 2018 client wins could represent on a stabilized basis compared to the revenue we actually generated from these wins in 2017. In essence, these wins produced $9 million of revenue in 2017 but are expected to produce $75 million on an annualized stabilized basis over time.

At the mid-point of our 2018 scenarios, we anticipate generating $2.20 of adjusted earnings per share. This reflects the previously disclosed 0.35 to 0.45 cent per share impact from the NRZ Cooperative Brokerage Agreement, The change in revenue mix associated with growth in our lower margin BRS business, and the normal runoff of the Ocwen/NRZ servicing portfolio, partially offset by earnings from new clients, reduced investment spend and expense reduction initiatives.

We anticipate that Altisource will continue its long history of generating attractive cash flow, while further reducing our CapEx requirements. At the mid-point of our 2018 scenarios, adjusted cash flow from operations is $90 million and capital expenditures are $8 million to $9 million.

Our financial strength allows us to invest in businesses that should benefit from macroeconomic trends in our addressable markets where we can leverage our core competencies and competitive advantages. In 2018, we have budgeted for approximately $40 million in investments to build out our services and technology offerings, the majority of which is related to our Consumer Real Estate and Origination Solutions businesses. Both of these businesses demonstrated solid progress in 2017 and are well positioned for growth.

Given our strong balance sheet, significant cash flow and long-term financial outlook, we intend to continue to opportunistically repurchase shares and reduce debt. Based upon our share price and other environmental factors, we plan to purchase approximately one million or more of our shares in 2018.

Looking toward 2019, we believe our adjusted pretax income will be the same or better than 2018. Revenue growth from our client wins along with lower investment spend should offset the normal runoff of business from Ocwen and NRZ. We expect to further reduce investment spend in 2019 as we complete the development of some of Origination Solutions' core technologies. Further, we believe Owners.com will benefit from ongoing operational improvements, generating strong growth in home closings in 2019.

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

Our Servicer Solutions business is operating at a very attractive time in the mortgage market lifecycle. As you can see on slide 13, delinquencies remain close to all-time lows. However, we believe the general loosening of credit standards, FHA's increasing market share, and the growing adoption of online auction by the GSEs and FHA suggest that the opportunity for large, nationwide default service and technology providers will grow.

As you can see on slide 9, during the third and fourth quarters, we had strong sales momentum which continued to build in the first quarter of this year. During this period we received notification from 13 prospects that we've won their business. This new business includes property preservation and inspection services, real estate asset management, brokerage and auction services, and settlement services. Further, we continue to obtain a very active sales pipeline. As a result of these wins and the pipeline, we believe we are well positioned for very strong non-Ocwen revenue growth.

In an environment with lower origination volumes, fewer refis as a percentage of total originations, and higher underwriting costs, Altisource's Origination Solutions business differentiates itself with our unique ability to drive closed loan volume to originators, and also perform fulfillment and other underwriting services at the same or lower cost as other providers. Further, as lenders expand their origination products to include non-qualified mortgages, they are increasingly looking to Altisource for loan certification insurance against loan manufacturing defects, creating additional demand for our fulfillment business.

On our last conference call, we mentioned that a couple of platform correspondent lenders were expanding their wallet share with Altisource. During the first quarter of 2018, our growth trend continued as we were notified that we won 2 additional platform customers. These recent wins should position our Origination Solutions business for attractive revenue growth in 2018.

Our net strategic business is Real Estate Investor Solutions. This business provides turnkey solutions for residential real estate investors with a focus on single-family rentals. Against a macroeconomic backdrop of low home ownership and increasing rents, we offer investors renovated and rented homes at attractive cap rates. Our vertically integrated operation has limited competition in the highly fragmented single-family rental market.

During 2017, we substantially grew our BRS business, largely offsetting the decline in revenue from the services we provide to RESI. We continued to develop our acquisition and disposition programs. We grew home purchases to 257 in 2017 compared to 119 in 2016. We increased dispositions to 158 homes from 14 in 2016. We still have more work to do to get to our targeted returns and holding period. But we believe that on a stabilized basis, we will be able to turn over our capital close to two times per year and generate an annual stabilized return on capital before internal costs in the mid-teens. We're diligently scaling our operations, inventory and sales program, and improving our property level returns, to achieve our 2018 objectives.

Finally, our Consumer Real Estate Solutions business continues to capitalize on the growing trend of consumers using online tools to buy and sell homes. With new senior leadership in place, we implemented an agile operating model inspired by best-in-class Internet companies. In the fourth quarter, we more than doubled the number of new tests run across our website and "apps" compared to the third quarter. Driven by this model, Owners.com completed 862 home transactions in 2017, an improvement of 713% over the 106 transactions in 2016. We finished the year working with approximately 2,300 clients. In 2018, we anticipate close to doubling our home closings.

In conclusion, I am proud of the hard work of our team to position Altisource for long-term growth. Our customer relationships, strong cash flows, investments in our businesses, recent client wins and robust sales pipeline position us well for 2018 and beyond.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Lee Cooperman of Omega Advisors.

Leon Cooperman - *Omega Advisors, Inc.*

I'm trying, Bill, to absorb all these numbers. So I may have missed a few things. I have this view that when a company is buying back a lot of stock, it ought to tell its shareholders what it thinks it's doing. Warren Buffett says buying back stock in a sense is you're trading against your shareholders, and he wants the shareholders to know exactly what he has in mind, you know when he sells below a certain price-to-book, when he has a certain amount of cash. Our buyback has not been particularly accretive over the last three to four years, but you persist in doing it, and I have to assume that you know a lot more than I know. So I'd like to know, what do you think you're buying back when you're buying stock back presently, number one. Number two, the $2.20 is like 1/3 of what you said you were going to earn two years ago at this time. So there's been a big deterioration in earnings outlook, yet you continue to buy back stock. So tell us a little bit about what you think the business is worth, and why we're buying the stock back as opposed to returning this money to shareholders in a different form? That would be a principle question. And a follow-on question is, why do we hold the stock in RESI? Do we need it to have a business relationship? Because if you think our stock is so cheap, why don't we basically take that money and buy more of our own stock back, if you think the stock is so cheap? So, two questions.

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

Yes. Thanks, Lee. Both good questions. So with respect to the buyback, I think this year, Lee, if you compare to the information we've given in prior years, we're giving a lot more. One, we believe we're going to generate a lot of operating cash flow, our CapEx is coming down. We believe that our adjusted pretax in 2019 is going to be stronger than 2018 and we believe we're going to have growth from there. So if you take a look at the business and we've generated, roughly, $100 million of operating cash flow this year and very attractive cash flow next year and you compare that to where the stock's trading and our cash position, we think a very good use of cash is to buy back shares, because we believe the company is undervalued. Also, there's been a couple of transactions; two companies that have sold, I believe this is public information, one is Auction.com, in the- 10x in the auction space and the second is MCS in the field services space. The size of our underlying businesses, those two businesses inside of Altisource are very comparable to those businesses. And they both sold at very attractive multiples, I think Auction.com may have sold in the 15 to 16 or higher-- sorry, 10x multiple, and the field services business may have sold somewhere between 8x and 10x earnings. And if you take a look at the underlying -- those two underlying businesses, inside of Altisource, they performed very well. Our field services business has grown its revenue sequentially every year since we founded that business and our REO, our Hubzu business, has grown sequentially its service revenue every year until this past year, where it had a small dip. But if you take a look at that slide 9 and look at all those customer wins, many of which are in both our field services and in our Hubzu business, that presents a very strong growth opportunity for both those businesses. So, long answer to your question, when you look at our go-forward expectations with respect to the Company and some of the market comparables that we've seen trade, we believe Altisource is undervalued and a good use of some of our excess cash is to buy our shares back. Turning to your question with respect to RESI stock and why do we need to own it, I think I'll repeat what I've said in the past. The short answer, Lee, is, in the long term, we don't need to own RESI. It isn't critical to our strategy. They are an important customer for us right now, but we will continue to evaluate the timing as to when we should potentially get out of that position.

Operator

The next question is from Mike Grondahl of Northland Securities.

Mike Grondahl - *Northland Capital Markets*

The first question, slide 12, the EBITDA from Ocwen/NRZ, it looks like it was increased from about $730 million to $770 million over the term. What's the delta behind $40 million more of EBITDA from that arrangement?

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

The primary driver is our estimate of delinquencies, going out the next several years. And that's increased how much we expect to generate from the portfolios. And again, that was partially offset by some of the impact from the brokerage agreement with NRZ. And the other thing, we periodically update our forecast and this is our latest estimate based on our current view of the world.

Mike Grondahl - *Northland Capital Markets*

Got it, okay. That's helpful. And then, you still haven't nailed down the contract with NRZ. Can you talk about why it's taking longer? What's the impact, if you can't get that signed and what's embedded in 2018 guidance under the arrangement?

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

Mike, first, I'd say the relationship we have with NRZ is very good. We have a very strong working relationship, as NRZ has acquired the MSRs, as well as the right to the MSRs, the transition of the management of the REO to working for NRZ directly has gone very well and very smoothly. So the relationship is solid. I think NRZ was tied up with both the Ocwen acquisition and its announcement of Shellpoint -- kept it busy. But I'd also point out that, in addition to the services agreement, there are I think 9 or 11 underlying Statements of Work associated with it. And it just takes time to finalize it. We fully anticipate -- I can't guarantee it, but fully anticipate it's going to get finalized and the relationship, again, is very strong. In terms of the impact, Mike, we built it into the numbers we presented today, the 0.35 to 0.45 cents per share, reduction in earnings this year than if we had not signed that agreement, and that's built into the numbers that we presented today.

Mike Grondahl - *Northland Capital Markets*

Got it, okay. And then, you have the comment about 2019 EBITDA being at or above 2018. And if I just do this simple math, it looks like from the Ocwen/NRZ runoff, you have to make up roughly $50 million to $55 million of adjusted EBITDA. What are the one or two key drivers that's going to make that up for you non-Ocwen: customer wins or more business with existing customers; what's the one or two things we can focus on to fill that gap?

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

So there's a couple of things, Mike. One, if you turn to slide 9, you could see, its embedded revenue. That's our estimate of the embedded revenue from our customer wins in 2017 and so far in 2018. Two is, we believe the investments -- the $40 million of investments that we're planning to spend in 2018 -- will come down substantially in 2019. And we'll continue with our cost-reduction initiatives, would probably be the third primary driver. So, growing the non-Ocwen revenue, reducing the investment spend and continued focus on driving down the costs inside the company.

Mike Grondahl - *Northland Capital Markets*

Got it. And last one and then I'll jump back in the queue. Revenue per delinquent non-GSE loan fell, year-over-year for the first time. What caused that? Is that seasonality?

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

Yes, Mike. So if you look, over the last couple of years, we've been growing service revenue per delinquent loan. Basically, the fourth quarter is your seasonally slower fourth quarter. And that's some of what we're seeing in the fourth quarter this year. It's also impacted by some natural disasters. So you have delinquent loans, for example, in Texas associated with the hurricanes, as well as in California, associated with the wildfires. And what's happening, at least what we believe is happening, is that Ocwen is working with those borrowers to forebear or modify those loans. And so that we're not getting the normal number of service orders that you would expect on a delinquent loan. And that's impacted the number to some degree as well. But I think the number still is a very healthy number, and between seasonality and the natural disasters, we think, it's a pretty good number.

Operator

The next question is from Cristian Cibrario of GLG Partners.

Cristian Cibrario - *GLG Partners*

On the investments, we saw $60 million in 2017, going to $40 million this year. What is the reason of that decline, is it because your businesses are starting to turn around and make profit? And the second question is on the tax rate following the restructuring, could you please confirm that your cash tax rate will be zero until you make basically $1.3 billion of pretax profit?

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

Sure. With respect to the investments, they're coming down as we've completed some of the work associated with the technology, so the amount of spend on that work is coming down. Also, we'll have some improvement in the underlying business. For example, in Owners, we think the loss won't be coming down much, but we are going to be substantially growing the revenue this year. And we think, as you look into 2019, that loss will come down in a very meaningful way. So it's a combination of completing the investments, and then executing on some of our cost-savings initiatives that we've done in the fourth quarter of 2017, getting the benefit of that going into 2018. With respect to tax rate in Luxembourg, our cash taxes are essentially 0%. But keep in mind, we also operate in India, which I think, Michelle, correct me if I'm wrong, is roughly a 35% tax rate. In the U.S., with state taxes, it's around 24%, 25% tax rate. So yes, in Luxembourg, our earnings in Luxembourg from a cash tax perspective will be essentially zero.

Operator

The next question is from Kevin Barker of Piper Jaffray.

Pierce Dever - *Piper Jaffray Companies*

This is actually Pierce Dever on for Kevin. My first question revolves around stock-based comp expense. Do you currently have any estimates for that amount in 2018?

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

Yes, if you look in the presentation, in the reconciliation tables, you can find that.

Pierce Dever - *Piper Jaffray Companies*

Okay. And then next, was there a gain on the repayment of debt?

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

There was a modest gain on the repayment of debt in the fourth quarter. I think $0.25 million. By the way, we did also incur some one-time expenses associated with our cost-reduction initiatives in the fourth quarter, and the refinancing of the debt, or rather the amendment.

Pierce Dever - *Piper Jaffray Companies*

Okay. And then you mentioned that there could be an increase in the stabilized annual revenue of about $66 million from recent client wins. Can you help us quantify the expected margins of that business?

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

If you think about inside of Servicer Solutions, it has very attractive margins. And I think we're operating at a gross profit margin in the high 30s, 37%, I think, roughly, 36%, 37%. And it depends on the mix. So with the online auction, mix being -- business being higher margin and the field services being lower margin. So keep that in mind, it depends on the mix of business. And then, with respect to Origination Solutions, which is a smaller percentage of our growth this coming year, that, on the margin, we think it's 20% to 30%.

Pierce Dever - *Piper Jaffray Companies*

Okay. That's helpful. And then just two quick ones regarding the NOL. Can you just walk me through the mechanics of how you're able to produce the $1.3 billion of NOLs in one of the subsidiaries, given net income has been just over $600 million on a GAAP basis since 2009?

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

Yes. I'm going to have Michelle walk you through that.

Michelle D. Esterman - *Altisource Portfolio Solutions S.A. - Executive Vice President, Finance*

Sure. So you may remember, in 2014, we contributed one of our Luxembourg subsidiaries to another one of our Luxembourg subsidiaries. And this transaction was recorded at the then fair value. And so then when we did the merger in December of 2017 of two of our subsidiaries, that was also recognized at fair value. And the fair value in December of 2017 was significantly lower than the fair value in 2014. And so the difference between those fair values triggered a loss, and it's $1.3 billion and can be used over the next 17 years.

Pierce Dever - *Piper Jaffray Companies*

Okay, great. And then you mentioned in your prepared comments, regarding the use of the NOL and that it's unconstrained, but is it possible to transfer the NOL in Luxembourg to U.S. entities or no?

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

The Luxembourg NOL is an offset against the Luxembourg earnings.

Operator

The next question is from Ramin Kamali of Credit Suisse.

Ramin Kamali - *Credit Suisse*

I guess, wanted to get more clarity on these kind of investments that you've made into building the platforms of about $60 million. How was that split between the mortgage and the real estate markets? And then, related to that, based on your growth trajectory, when do you expect to break-even on a gross margin basis in the real estate segment? And I have some follow-ups as well.

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

Ramin, we don't break out the investments between the different businesses, but they were primarily associated with, essentially, the losses in the Owners business, which we're calling an investment. And then other investments in technologies that most companies might capitalize and depreciate, we expense. And that's in our Origination Solutions business and our Real Estate Investor Solutions business and some minor corporate investments as well. We anticipate that those investments will come down. They are coming down substantially this year and further going into 2019.

Ramin Kamali - *Credit Suisse*

Are those showing up on the gross margin side or on the SG&A side?

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

The investments, they're showing up in both places, but primarily in gross margin.

Ramin Kamali - *Credit Suisse*

Any thoughts on when you expect to break-even in the real estate segment? Is it a 2019 event?

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

The primary loss is really coming from Owners, which we are very excited about and bullish on. And that business, we expect to double revenue in 2018, Ramin. And in 2019, based on our business planning as we see it today, we think we could cut the loss quite substantially in 2019. And again, if we're making a lot of progress, and positive marketing contribution and reducing the loss quite substantially, we may look to go to other markets, which could potentially cost us some money but we think it would be, at that time, very good for both our lenders and our equity holders that we do that.

Ramin Kamali - *Credit Suisse*

Okay. A couple of additional questions. So I understand you're not going to be a Luxembourg taxpayer. Of the $18 million of taxes you paid in 2017, how much of that was in Luxembourg?

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

We'd have to look at the filings -- roughly about $4 million and some of that was related to prior years.

Ramin Kamali - *Credit Suisse*

Okay. And then, regarding your credit ratings, it seems that you've been carrying the corporate family and the facility rating as a B3, for quite some time now. What are the agencies looking for you to do to kind of increase that rating? And once the transfer of MSRs from Ocwen to NRZ happens, would you expect an upgrade or what are your thoughts on that?

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

Ramin, you can imagine we meet with the agencies on a regular basis. So I don't know that we want to comment much more than what's in the reports they issued. But I think from our perspective, if we continue to diversify our client base, continue to have very attractive cash flow characteristics, we've done a decent job of bringing down our leverage this past year. I think all those things over time will help us.

Ramin Kamali - *Credit Suisse*

And as far as cash flow use goes, I guess, you said you're going to spend about $30 million or so towards share repurchases. For 2018, should we expect a similar amount of cash use for debt paydowns or how do you think about deleveraging here?

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

Yes. So we're going to continue to look at debt paydowns, but we aren't prepared today to disclose the number.

Operator

The next question is from Scott Burg of Deer Park Road.

Scott Burg - *Deer Park Road Corporation*

Most of my questions are related to the investments. But along the lines of the debt, we have a few years and understand that it's covenant-light, but is this something we're looking to try to tackle sooner rather than later?

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

Yes, Scott. I think with respect to debt, we're always paying close attention to the markets and evaluating when is the right time to go back to the market. So I think we're going to continue to do that and more to come.

Operator

The next question is from Lee Cooperman of Omega Advisors.

Leon Cooperman - *Omega Advisors, Inc.*

I want to go back to the repurchase question. But you alluded to on the call that you have some businesses within Altisource that are materially misvalued if you look at other public companies or private companies that have done transactions in this space. One of the criteria I look at, when I look at stock repurchases for a company is, most businesses- and I think particularly your business, given the consolidation taking place in the mortgage space these days- have two values, the so-called auction market value, which is the price that you and I pay for 1 share or 1,000 shares or 100,000 shares, and so-called private market value, that price a strategic or financial investor would pay for the entire business. Are you guys confident that the shares you're buying back are being brought back at a price well below the private market value of this business, if you elected to sell the business to a strategic or financial buyer?

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

Yes, Lee. We believe we're buying the stock back at a very attractive price.

Operator

We have another question from Mike Grondahl of Northland Securities.

Mike Grondahl - *Northland Capital Markets*

Did you guys highlight kind of an effective tax rate for 2018, 2019? Or any sort of range we should be thinking about on the income statement?

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

Yes. So Mike, in our scenarios, we estimated at 30% but I'd tell you, there was a lot of moving parts with respect to both U.S. taxes and Luxembourg taxes and there may be a level of a conservatism and may be lower. But in our scenarios, we use 30%.

Mike Grondahl - *Northland Capital Markets*

Got it, okay. And just going back to the agreements with NRZ, when you do sign, or if you sign a contract with them, do you expect that to affect revenue or profitability all of the business or that's sort of in these numbers?

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

Yes. It's in these -- by the way, the impact of revenue is primarily associated with a Cooperative Brokerage Agreement and that's in these numbers. The services agreements, we don't anticipate that they will impact revenue.

Mike Grondahl - *Northland Capital Markets*

Got it, okay. And then, RESI REO sales, is there much of that left, if anything in 2018?

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

Mike, it's probably better to ask that question on RESI's call. We're clearly very aligned with RESI's CEO, George Ellison's objectives there. But you probably should ask him. I'm not sure we should disclose that here.

Operator

(Operator Instructions)

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

Great. Thanks, everyone, for joining the call. We appreciate it.

Operator

Thank you. Ladies gentlemen, this concludes today's program. You may now disconnect. Everyone, have a good day.