



Mr. CooperGroup<sup>SM</sup>

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# **INVESTOR SUPPLEMENT THIRD QUARTER 2018**

NOVEMBER 8, 2018

# IMPORTANT INFORMATION

This presentation contains summarized information concerning Mr. Cooper Group Inc. (the “Company”) and the Company’s business, operations, financial performance and trends. No representation is made that the information in this presentation is complete. For additional financial, statistical and business related information, as well as information regarding business and segment trends, see Nationstar’s and the Company’s most recent Annual Report on Form 10-K (“Form 10-K”) and Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission (the “SEC”), as well other reports filed with the SEC from time to time. Such reports are or will be available in the Investors section of the Company’s website ([www.mrcoopergroup.com](http://www.mrcoopergroup.com)) and the SEC’s website ([www.sec.gov](http://www.sec.gov)).

## FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not limited to, the acquisition of Pacific Union and related volume opportunities, estimates of servicing profitability and growth, Originations improving customer experience and efficiencies, increasing Xome market share and Assurant build out. All statements other than statements of historical or current fact included in this presentation that address activities, events, conditions or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business and these statements are not guarantees of future performance. Forward-looking statements may include the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “strategy,” “future,” “opportunity,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. Certain of these risks are identified and discussed in documents Nationstar and Mr. Cooper has filed or will file from time to time with the SEC. These risk factors will be important to consider in determining future results and should be reviewed in their entirety. These forward-looking statements are expressed in good faith, and Mr. Cooper believes there is a reasonable basis for them. However, the events, results or trends identified in these forward-looking statements may not occur or be achieved. Forward-looking statements speak only as of the date they are made, and Mr. Cooper is not under any obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward-looking statement, except as required by law. Readers should carefully review the statements set forth in the reports that Mr. Cooper has filed or will file from time to time with the SEC.

## NON-GAAP MEASURES

This presentation contains certain references to non-GAAP measures. Please refer to the Appendix and Notes for more information on non-GAAP measures.

# THIRD QUARTER AND SUBSEQUENT HIGHLIGHTS

**COMPLETED**  
WMIH MERGER &  
REVERSE STOCK SPLIT

**ROLLED OUT**  
HOME INTELLIGENCE  
HOME SNAPSHOT  
VIA WEBSITE TO 3.2MM  
CUSTOMERS

**TOP 10**  
CORRESPONDENT  
ORIGINATOR<sup>(1)</sup>

**ACHIEVED**  
6.5BPS<sup>(2)</sup> ADJUSTED  
SERVICING  
PROFITABILITY

**INCREASED**  
XOME<sup>®</sup> THIRD PARTY  
REVENUE TO 56%<sup>(3)</sup>

**CLOSED**  
ASSURANT MORTGAGE  
SERVICES ACQUISITION

**ACQUIRING**  
PACIFIC UNION  
~\$25B SERVICING AND  
\$10B+ ANNUAL ORIGINATIONS

# FINANCIAL OVERVIEW

## HIGHLIGHTS

\$ MM, EXCEPT PER SHARE DATA	Q2'18	Q3'18 Combined <sup>(4)</sup>	% QoQ
CONSOLIDATED PRETAX INCOME	\$79	(\$42)	
MARK-TO-MARKET	(\$19)	(\$49)	
ADJUSTMENTS	\$9	\$17	
MERGER RELATED ADJUSTMENTS	--	\$131	
ADJUSTED PRETAX INCOME <sup>(5)</sup>	\$69	\$57	(17%)
ADJUSTED EARNINGS <sup>(5)</sup>	\$52	\$54	4%
ADJUSTED EPS <sup>(6)</sup>	\$0.53	\$0.58	9%

## KEY METRICS

\$ MM, UNLESS NOTED	Q2'18	Q3'18 Combined <sup>(4)</sup>	% QoQ
ADJ SERVICING PROFITABILITY (BPS) <sup>(2)</sup>	5.8	6.5	12%
AVERAGE UPB, (\$B)	\$497	\$500	1%
ENDING UPB, (\$B)	\$498	\$514	3%
CPR, NET OF RECAPTURE	10.5%	9.6%	9%
60+ DAY DELINQUENCY RATE	2.8%	2.5%	11%
REFINANCE RECAPTURE	53%	57%	8%
RECAPTURE	22%	22%	0%
FUNDED VOLUME	\$5,542	\$5,147	(7%)
XOME 3 <sup>RD</sup> PARTY REVENUE %	28%	49%	75%

## THIRD QUARTER OVERVIEW

- Posted combined quarterly adjusted EPS<sup>(4)(6)</sup> of \$0.58
- Servicing recorded combined adjusted pretax earnings<sup>(4)(5)</sup> of \$81 million
  - Achieved adjusted servicing profitability of 6.5 bps<sup>(2)</sup>
- Originations recorded combined adjusted pretax earnings<sup>(4)(5)</sup> of \$33 million
- Xome<sup>®</sup> recorded combined adjusted pretax earnings<sup>(4)(5)</sup> of \$11 million

# SERVICING - THE FOUNDATION OF OUR BUSINESS

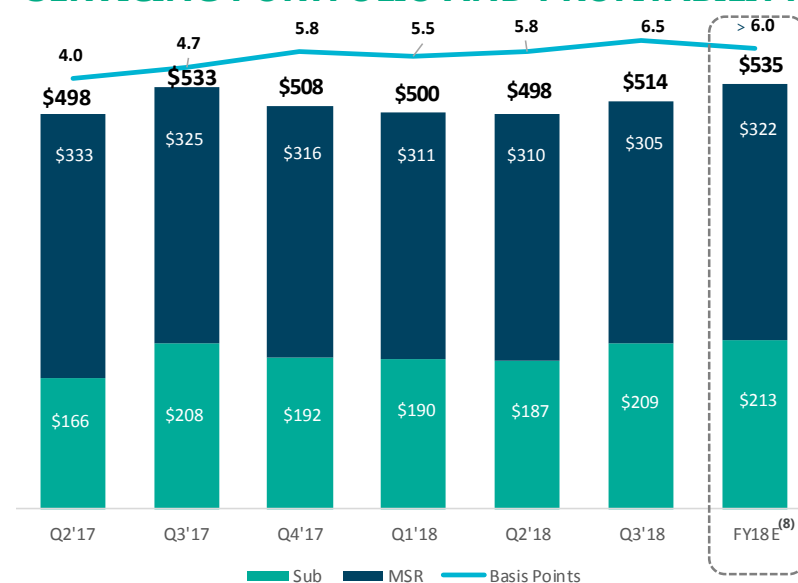
## HIGHLIGHTS

\$ MM, UNLESS NOTED	Q2'18	Q3'18 Combined <sup>(4)</sup>	% QoQ
OPERATIONAL	\$277	\$278	0%
AMORTIZATION	(48)	(47)	2%
MARK-TO-MARKET	19	49	
TOTAL REVENUES	248	280	13%
EXPENSES	(166)	(230)	(39%)
OTHER	6	15	
<b>PRETAX INCOME</b>	<b>\$88</b>	<b>\$65</b>	
MARK-TO-MARKET	(19)	(49)	
ADJUSTMENTS <sup>(7)</sup>	3	65	
<b>ADJUSTED PRETAX INCOME<sup>(5)</sup></b>	<b>\$72</b>	<b>\$81</b>	13%
<b>ADJUSTED PROFITABILITY BPS<sup>(2)</sup></b>	<b>5.8</b>	<b>6.5</b>	12%
AVERAGE UPB (\$B)	\$497	\$500	1%
ENDING UPB, (\$B)	\$498	\$514	3%
SUBSERVICING MIX	38%	41%	8%
CPR, NET OF RECAPTURE	10.5%	9.6%	9%
60+ DAY DELINQUENCY RATE	2.8%	2.5%	11%

## OVERVIEW

- Achieved \$81 million combined adjusted pretax income<sup>(4)(5)</sup>, 6.5 bps<sup>(2)</sup> adjusted profitability
- Boarded \$37 billion in 3Q18, ending the quarter at \$514 billion UPB
  - On target to end the year at \$535 billion UPB
- Self sustaining portfolio achievable through existing partners, with large strategic acquisitions providing upside
- Implementing strategic initiatives to increase efficiencies while improving the customer experience

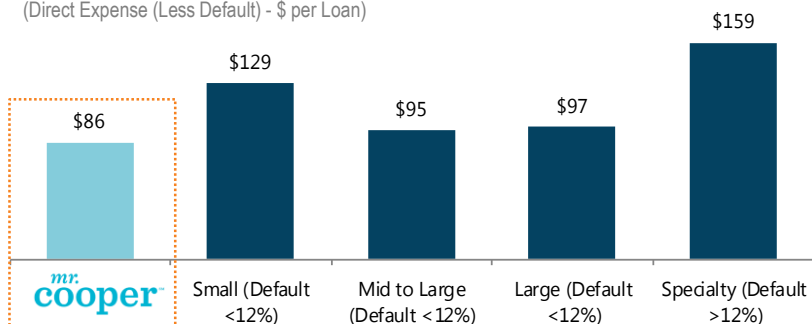
## SERVICING PORTFOLIO AND PROFITABILITY<sup>(2)</sup>



# SERVICING - LOWEST COST PLATFORM WITH GROWTH OPPORTUNITIES

## LOWEST COST IN INDUSTRY<sup>(9)</sup>

(Direct Expense (Less Default) - \$ per Loan)



## SELF SUSTAINING PORTFOLIO WITH VISIBLE GROWTH <sup>(8)</sup>

<i>\$s in Billions</i>	2018	2019
<b>BEGINNING UPB</b>	\$508	\$535
<b>PRINCIPAL REDUCTIONS/TRANSFERS</b>	(\$88)	(\$75)
<b>ADDITIONS FROM PARTNERS</b>		
+ ORIGINATIONS AND FLOW FROM EXISTING PARTNERS	\$64	\$90
+ MSR/SUBSERVICING BULK	\$52	TBD
+ PACIFIC UNION	--	\$25
<b>ENDING UPB <sup>(8)</sup></b>	<b>\$535</b>	<b>\$575+</b>
<b>+ STRATEGIC MARKET OPPORTUNITIES</b>		

## WELL POSITIONED FOR RISING RATE ENVIRONMENT

### Illustrative Impact of 1 CPR Reduction

<b>IMMEDIATE IMPACT TO BOOK VALUE <sup>(8)(10)</sup></b>	<b>+\$80-90</b>
<b>ANNUAL IMPACT TO P&amp;L <sup>(8)(10)</sup></b>	<b>+\$20</b>

Year-to-date CPR of 11.3% or 9.7% net of recapture

# ORIGINATIONS – CREATING SOLUTIONS FOR OUR CUSTOMERS

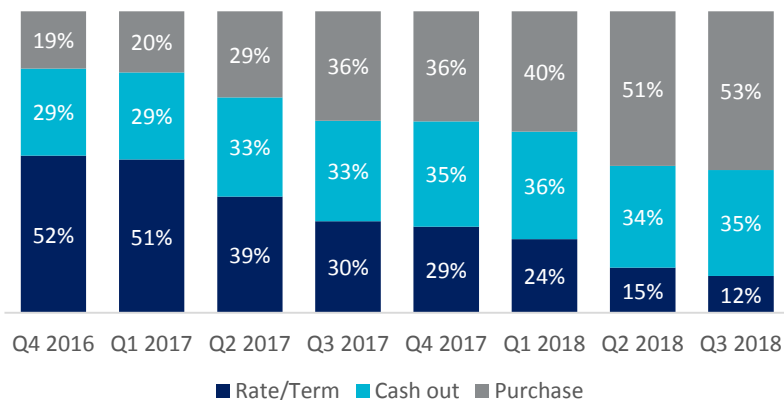
## HIGHLIGHTS

\$ MM, UNLESS NOTED	Q2'18	Q3'18 Combined <sup>(4)</sup>	% QoQ
REVENUES	\$133	\$131	(2%)
EXPENSES	(\$101)	(\$99)	2%
PRETAX INCOME	\$32	\$32	0%
ADJUSTMENTS <sup>(11)</sup>	\$1	\$1	
<b>ADJUSTED PRETAX INCOME <sup>(5)</sup></b>	<b>\$33</b>	<b>\$33</b>	<b>0%</b>
PULL THROUGH LOCK VOLUME	\$5,440	\$5,027	(8%)
FUNDED VOLUME	\$5,542	\$5,147	(7%)
DIRECT TO CONSUMER CASH OUT REFINANCE MIX <sup>(12)</sup>	71%	73%	3%
PURCHASE MIX <sup>(12)</sup>	51%	53%	4%
CONSUMER DIRECT MIX <sup>(12)</sup>	48%	47%	(2%)
REFINANCE RECAPTURE	53%	57%	8%
RECAPTURE	22%	22%	0%

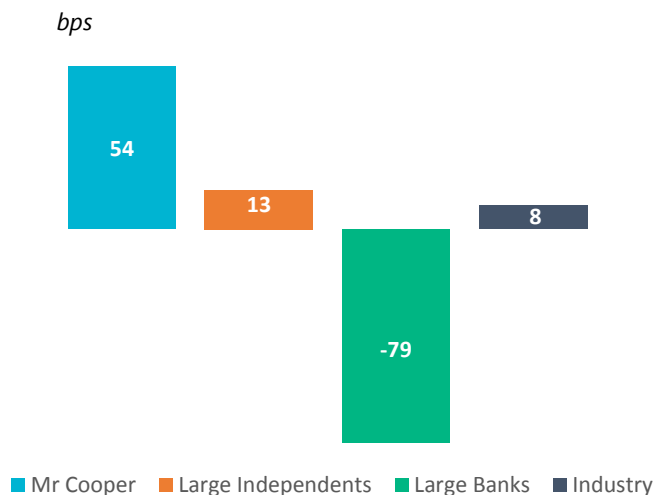
## OVERVIEW

- Earned \$33 million combined adjusted pretax income <sup>(4)(5)</sup>
- Direct to consumer cash out refinance mix at 73% vs. 55% in Q3'17
- Refinance recapture at 57%, up 8% quarter-over-quarter
- Home Intelligence Snap Shot feature rolled out to all 3.2 million Mr. Cooper customers

## ORIGINATIONS PRODUCT MIX



## PROFITABILITY OUTPERFORMING INDUSTRY <sup>(13)</sup> - 1H'18



# XOME - BUILDING REAL ESTATE SOLUTIONS

## HIGHLIGHTS

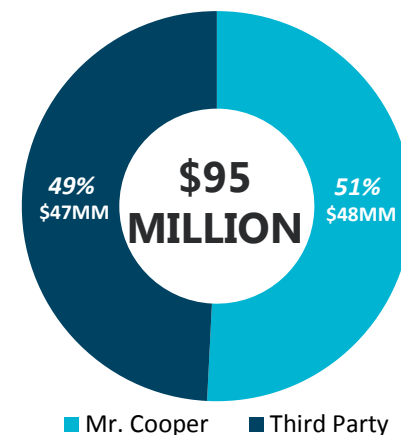
\$MM, UNLESS NOTED	Q2'18	Q3'18 Combined <sup>(4)</sup>	% QoQ
XOME REVENUES	\$62	\$66	6%
ASSURANT REVENUES <sup>(14)</sup>	--	\$29	
TOTAL REVENUES	\$62	\$95	53%
EXPENSES	(\$52)	(\$90)	(73%)
OTHER INCOME (EXPENSE)	\$0	(\$1)	
PRETAX INCOME	\$10	\$4	(60%)
ADJUSTMENTS <sup>(15)</sup>	\$3	\$7	
<b>ADJUSTED PRETAX INCOME<sup>(5)</sup></b>	<b>\$13</b>	<b>\$11</b>	<b>(15%)</b>
ADJUSTED PRETAX MARGIN % <sup>(5)</sup>	21%	17%	(21%)

EXCHANGE PROPERTIES SOLD	3,720	3,230	(13%)
EXCHANGE PROPERTY LISTINGS AT PERIOD END	7,417	6,917	(7%)
CORELOGIC MARKET REOs <sup>(16)</sup>	36,643	31,666	(14%)
CORELOGIC MARKET FORECLOSURES <sup>(16)</sup>	159,921	144,855	(9%)
THIRD-PARTY CUSTOMERS <sup>(17)</sup>	297	873	194%
THIRD-PARTY REVENUE %	28%	49%	75%

## OVERVIEW

- Strong Xome revenue growth despite declining markets
- Assurant acquisition nearly triples third-party clients
  - Significant opportunity for future revenue and profit growth
- Strategically delayed the ramp up of Field Services business to build on Assurant platform

## Q3'18 REVENUE COMPOSITION





# ASSURANT MORTGAGE SOLUTIONS ACQUISITION



## ACQUISITION OVERVIEW

- Xome acquired Assurant Mortgage Solutions from Assurant Inc.
- The transaction included all of Assurant's field services, title and valuations businesses
- Acquisition expanded Q3'18 annualized revenue by 44%



- Integration of approximately 1,000 team members is underway and expected to be completed early 2019
- Full business integration and transformation expected to be complete by Q3'19
- Focus on cross sell opportunities to existing clients and innovation in existing business lines

## BUSINESS IMPACT

			<b>TOTAL</b>
Annualized Revenues (1H'18)	\$ 254MM	\$ 198MM	\$452MM
Third Party Clients <sup>(17)</sup>	313	560+	873+

# PACIFIC UNION FINANCIAL ACQUISITION



## ACQUISITION OVERVIEW

- Entered into a definitive agreement to acquire Pacific Union Financial, LLC
- Pacific Union Financial is a leading correspondent originator based in Irving, Texas
- Transaction expected to close Q1 2019

Q3'18 Annualized<sup>(8)</sup>

Originations Volume	\$14.2B
% Purchase Mix	80%+
No. of Active Clients	700+
Servicing UPB	~\$25.0B

## STRATEGIC VALUE

### 1 COMPLEMENTARY PLATFORM

- Non-delegated correspondent and Wholesale are additive channels and support expansion into Non-QM
- Provides Purchase Money growth opportunities

### 2 EXPAND CLIENT BASE

- Minimal client overlap with Mr. Cooper
- \$10B+ volume opportunity

### 3 GROW SERVICING PORTFOLIO

- ~5% increase in Mr. Cooper's servicing portfolio
- 125k+ new customers

## Q4'18 AND BEYOND

### **GROW SERVICING PORTFOLIO PROFITABLY**

Scheduled boardings provide visible growth

### **IMPROVE CUSTOMER EXPERIENCE AND EFFICIENCIES**

Continue to provide value to customers and achieve efficiencies

### **EXPAND PRODUCT OFFERINGS TO MEET CUSTOMER NEEDS**

Leverage Home Intelligence to offer personalized financial solutions to customers and increase life time value of customer

### **INTEGRATE PACIFIC UNION PLATFORM**

Complementary business with 700+ active correspondent clients and \$10+B volume<sup>(8)</sup>

### **INCREASE HOME MARKET SHARE AND BUILD OUT ASSURANT**

Ramp up Mr. Cooper field services by mid-2019, improve Assurant profitability, and establish market leadership

# **APPENDIX**

# SERVICING OPERATING P&L

BASIS POINTS	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18 Combined <sup>(4)</sup>
OPERATING REVENUE	26.7	25.4	26.7	26.3	25.6
LABOR COSTS	4.4	4.3	4.9	5.1	5.5
DIRECT CORPORATE ALLOCATION	3.1	2.9	3.4	3.2	3.3
OTHER DIRECT EXPENSES	6.6	5.6	6.1	4.9	4.4
TOTAL EXPENSES	14.0	12.8	14.4	13.1	13.2
OTHER (INCOME) / EXPENSE	(2.1)	(2.8)	(1.9)	(1.8)	(2.5)
<b>ADJ. OPERATING INCOME B/F AMORTIZATION <sup>(5)</sup></b>	<b>14.7</b>	<b>15.4</b>	<b>14.1</b>	<b>14.9</b>	<b>15.0</b>
MSR AMORTIZATION	(7.8)	(6.9)	(6.2)	(6.8)	(6.4)
EXCESS SPREAD ACCRETION	3.2	2.8	2.4	2.9	2.7
TOTAL AMORTIZATION	(4.6)	(4.2)	(3.8)	(3.8)	(3.8)
<b>ADJUSTED OPERATING INCOME <sup>(5)</sup></b>	<b>10.1</b>	<b>11.3</b>	<b>10.3</b>	<b>11.0</b>	<b>11.2</b>
MSR FINANCING LIABILITY PAYMENTS	1.3	1.2	1.2	1.1	1.0
EXCESS SPREAD PAYMENTS – PRINCIPAL	2.7	3.0	2.4	2.9	2.3
EXCESS SPREAD PAYMENTS – INTEREST / OTHER	1.4	1.3	1.3	1.3	1.4
TOTAL FINANCING STRUCTURE PAYMENTS	5.4	5.5	4.9	5.3	4.7
<b>ADJUSTED PRETAX INCOME <sup>(2)(5)</sup></b>	<b>4.7</b>	<b>5.8</b>	<b>5.5</b>	<b>5.8</b>	<b>6.5</b>
EXCESS SPREAD / FINANCING MTM	0.6	(0.2)	(5.9)	(0.5)	(3.5)
MSR MTM	(4.0)	0.3	17.9	2.0	7.5
TOTAL MTM ADJUSTMENTS	(3.4)	0.0	12.0	1.5	3.9
ADJUSTMENTS	(0.2)	(0.1)	(0.0)	(0.2)	(5.2)
<b>GAAP PRETAX INCOME</b>	<b>1.1</b>	<b>5.7</b>	<b>17.4</b>	<b>7.1</b>	<b>5.2</b>
AVERAGE UPB (\$B)	521	536	504	497	500

# ADJUSTED EBITDA

\$ MM	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18 Combined <sup>(4)</sup>
CONSOLIDATED GAAP PTI	\$ 12	\$ 58	\$ 206	\$ 79	\$ (42)
MARK-TO-MARKET	45	(0)	(152)	(19)	(49)
ADJUSTMENTS	7	8	3	9	148
AMORTIZATION	61	56	48	48	47
CAPITALIZED SERVICING RIGHTS	(49)	(52)	(68)	(71)	(65)
STOCK COMPENSATION	4	4	4	4	11
DEPRECIATION AND AMORTIZATION	14	14	14	13	10
CORPORATE DEBT INTEREST EXPENSE	36	35	35	31	45
<b>ADJUSTED EBITDA<sup>(5)</sup></b>	<b>\$ 131</b>	<b>\$ 123</b>	<b>\$ 92</b>	<b>\$ 93</b>	<b>\$ 105</b>

# COMBINED EARNINGS RECONCILIATION

\$MM, EXCEPT PER SHARE DATA	Q3'18				
	Servicing	Originations	Xome	Corporate and Other	Total
PREDECESSOR GAAP PRETAX INCOME	(\$23)	\$11	\$3	(\$74)	(\$83)
SUCCESSOR GAAP PRETAX INCOME	\$88	\$21	\$1	(\$69)	\$41
<b>COMBINED PRETAX INCOME<sup>(4)</sup></b>	<b>\$65</b>	<b>\$32</b>	<b>\$4</b>	<b>(\$143)</b>	<b>(\$42)</b>
MARK-TO-MARKET ADJUSTMENTS	(\$49)	\$0	\$0	\$0	(\$49)
MERGER RELATED ADJUSTMENTS	\$6	\$1	\$7	\$3	\$17
	\$59	\$0	\$0	\$72	\$131
<b>ADJUSTED PRETAX INCOME<sup>(5)</sup></b>	<b>\$81</b>	<b>\$33</b>	<b>\$11</b>	<b>(\$68)</b>	<b>\$57</b>
ADJUSTED EARNINGS					<b>\$54</b>
ADJUSTED EPS <sup>(6)</sup>					\$0.58

# NOTES

1. Inside Mortgage Finance as of June 30, 2018 adjusted for Mr. Cooper first half 2018 correspondent volume of \$5.2B.
2. Adjusted Servicing Profitability calculated as Adjusted Pre-Tax Income divided by average portfolio UPB. Basis points ("bps") are calculated as annualized adjusted servicing Pre-Tax Income \$ amount/Total average UPB X 10000.
3. Third quarter 2018 exit rate post Assurant acquisition.
4. The financial results for the three months ended June 30, 2018 reflect the results of the Predecessor entity for that time period. With respect to the three months ended September 30, 2018, the Company has separately provided the financial results of the Predecessor for the period from July 1, 2018 through July 31, 2018 and the financial results of the Successor for the period from August 1, 2018 through September 30, 2018, which, in each, are presented under GAAP. The "Combined" column that combines the Predecessor and Successor results referenced within with respect to the three months ended September 30, 2018. Although the separate financial results of the Predecessor and Successor for the three months ended September 30, 2018 are presented under GAAP, the results reported in the "Combined" column reflect non-GAAP financial measures, as a different basis of accounting was used with respect to the financial results for the Predecessor as compared to the financial results of the Successor.
5. The Company utilizes non-GAAP (or "adjusted") financial measures as the measures provide additional information to assist investors in understanding and assessing The company's and our business segments' ongoing performance and financial results, as well as assessing our prospects for future performance. The adjusted financial measures facilitate a meaningful analysis and allow more accurate comparisons of our ongoing business operations because they exclude items that may not be indicative of or are unrelated to the Company's and our business segments' core operating performance, and are better measures for assessing trends in our underlying businesses. These adjustments are consistent with how management views our businesses. Management uses non-GAAP financial measures in making financial, operational and planning decisions and evaluating the Company's and our business segment's ongoing performance. Adjusted pre-tax income (loss) eliminates the effects of mark-to-market adjustments which primarily reflects unrealized gains or losses based on the changes in fair value measurements of MSRs and their related financial liabilities for which a fair value accounting election was made. These adjustments which can be highly volatile and material due to changes in credit markets, are not necessarily reflective of the gains and losses that will ultimately be realized by the Company. Adjusted pre-tax income (loss) also eliminates, as applicable, restructuring costs, rebranding and integration costs, gain (losses) on sales of fixed assets, certain legal settlement costs that are not considered normal operational matters, and other adjustments based on facts and circumstances that would provide investors a supplemental means for evaluating the Company's core operating performance.
6. Adjusted EPS is calculated using Successor share count of 91,992,000 diluted shares outstanding.
7. Third quarter 2018 Servicing adjustments are related to assessment of mortgage servicing liabilities at time of merger and initiatives to transform Servicing operations. Second quarter 2018 Servicing adjustments are related to transform Servicing operations.
8. Estimates of future profitability and illustrative economic value are forward looking and based on a number of factors outside our control. Results could differ materially. Annualized, pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. Results for any specified quarter are not necessarily indicative of the results that may be expected for the full year or any future period.
9. MBA 2017 Servicing Operations Study. Small group represents servicers with less than or equal to 12% default rate in units and fewer than 100,000 loans. Mid to large group represents servicers with less than or equal to 12% default rate in units and between 100,000 and 1 million loans. Large group represents servicers with less than or equal to 12% default rate in units and more than 1 million loans. Specialty represents servicers with greater than 12% default rate in units.
10. Interest rate sensitivity as of December 31, 2017.
11. Third quarter 2018 and second quarter 2018 Originations adjustments include IT development expenses.
12. Based on a percentage of pull through adjusted lock volume.
13. Year-to-date June 2018 Stratmor study.
14. Assurant third quarter 2018 revenues include two months of activity in August 2018 and September 2018.
15. Third quarter 2018 Xome adjustments include Assurant integration costs, new business ramp, and intangible amortization. Second quarter 2018 Xome adjustments include new business ramp up costs.
16. CoreLogic servicer contributed data that covers \$4.6T mortgage debt serviced at major banks and servicers.
17. Includes unique active revenue generating clients. Any client overlap is not expected to impact revenue as services vary between Xome and AMS and order volume is expected to be maintained.