



## **Q4 2015 / FY 2015 Investor Supplement**

February 25, 2016

*Helping You Achieve More*

# Disclaimers

## **Forward Looking Statements**

*Any statements in this presentation that are not historical or current facts are forward looking statements. These forward looking statements include, but are not limited to, statements regarding: Servicing profitability and targets; 2016 key initiatives; and success of our rebranding efforts. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Certain of these risks and uncertainties are described in the “Business” and “Risk Factors” sections of our most recent annual report and other required documents as filed with the SEC, which are available at the SEC’s website at <http://www.sec.gov>. Nationstar undertakes no obligation to publicly update or revise any forward looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.*

## **Non-GAAP measures**

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

## **Information Regarding the Tender Offer**

*Information relating to the tender offer is for informational purposes only and is not an offer to buy or the solicitation of an offer to sell any shares of our common stock. The solicitation and offer to buy our common stock is being made only pursuant to the Offer to Purchase, the Letter of Transmittal and the other offer materials that we have filed with the SEC and sent to our shareholders. Shareholders and investors are urged to read our Tender Offer Statement on Schedule TO, the Offer to Purchase, the related Letter of Transmittal and the other offer materials, as well as any amendments or supplements to the Schedule TO that we file with the SEC, because they contain important information, including various terms and conditions of the tender offer.*

# Financial Highlights<sup>(1)</sup>

- **Servicing:** exceeded target of 5+ bps for Q4; 42% increase in profitability QoQ
- **Originations:** generated \$43 million of earnings, consistent with previously communicated expectations
- **Xome:** 37% revenue from 3<sup>rd</sup> parties; full-year revenues up 43% YoY
- Authorization to repurchase up to \$250 million in common stock
  - \$100 million tender offer open until March 11, 2016<sup>(2)</sup>

## Key Financial Highlights

<i>\$ mm, unless otherwise noted</i>	Q3'15	Q4'15	% QoQ
Consolidated GAAP PTI	(\$112)	\$121	n/m
Mark-to-market	152	(67)	n/m
Non-recurring expenses	11	---	n/m
<b>Adjusted Pretax Income</b>	<b>\$50</b>	<b>\$54</b>	<b>8%</b>
<b>Adjusted EPS</b>	<b>\$0.30</b>	<b>\$0.32</b>	<b>7%</b>

**Earnings increase attributable to increase in servicing profitability & continued strong originations results**

### Key Segment Metrics:

Servicing Profitability (bps)	3.6	5.1	42%
Originations Volume (\$B)	\$4.9	\$4.0	(18%)
Xome 3P Revenue %	34%	37%	9%

1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

2) Unless the tender offer is extended or withdrawn.

# Servicing Highlights

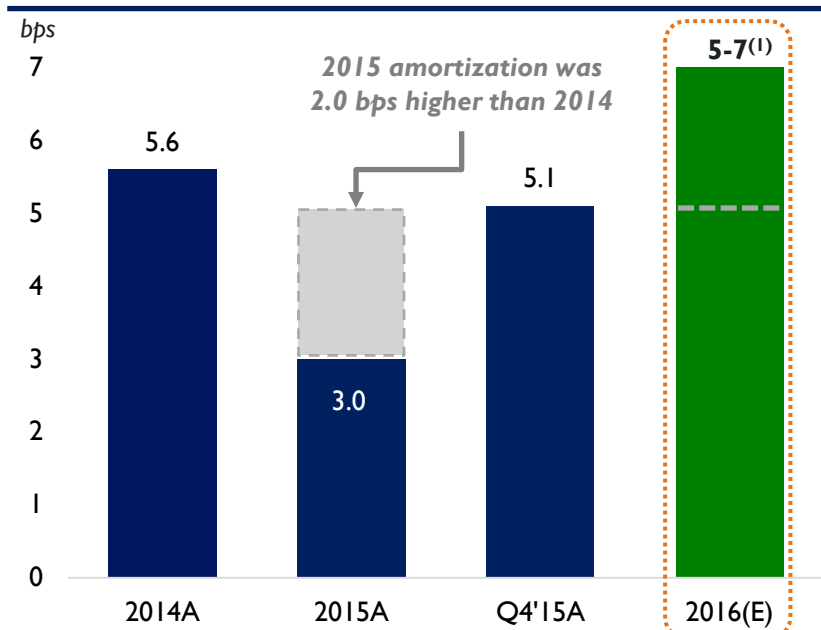
- **Long-term target:** remain committed to achieving 5 – 7 bps for 2016<sup>(1)</sup>
- Proven track record of receiving approvals for MSR acquisitions
  - Boarded \$91B of UPB in 2015 – a 56% increase YoY
  - On track with boarding of \$55B subservicing contract from flagship financial institution

## Servicing Highlights

<i>\$ in mm, unless noted</i>	Q3'15	Q4'15	% QoQ
GAAP PTI	(\$127)	\$118	n/m
Mark-to-market	152	(67)	n/m
Non-recurring expenses	11	--	n/m
<b>Adjusted PTI</b>	<b>\$36</b>	<b>\$51</b>	<b>42%</b>

<b>Profitability (bps)</b>	<b>3.6</b>	<b>5.1</b>	<b>42%</b>
Average UPB (\$B)	\$400	\$403	1%
Portfolio DQ %	7.2%	6.9%	(4%)
Annualized CPR	16.2%	13.8%	(15%)
Modifications and workouts	16,340	15,292	(6%)

## Profitability Growth



1) Estimates of future profitability targets are forward looking and based on a number of factors outside our control. Results could differ materially. Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

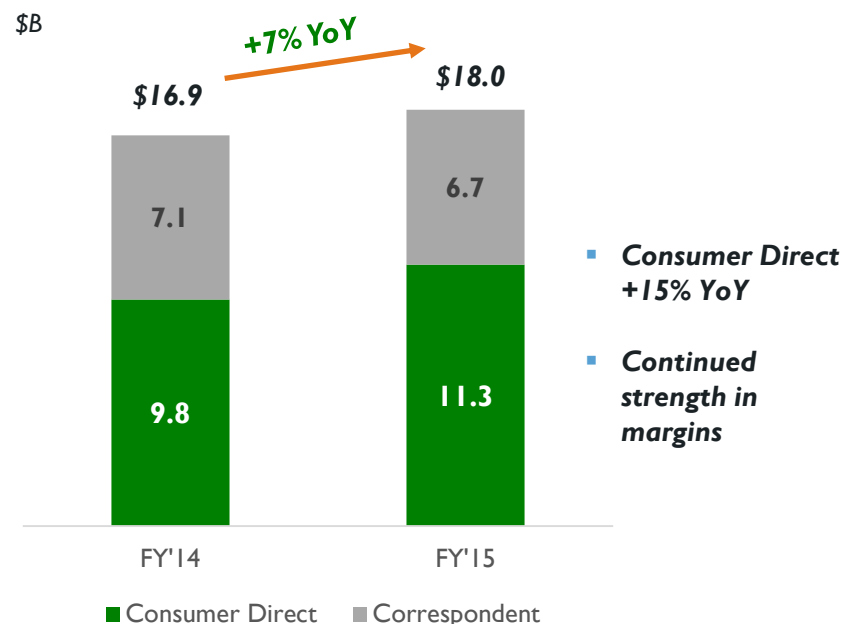
# Originations Highlights

- \$43 million of adjusted pretax income<sup>(1)</sup>; impacted by TRID / seasonality
- 2015 funded volume up YoY (7%), driven by consumer direct, while maintaining strong margins
- Strong start to 2016 due to rate environment and unwinding of TRID delays
  - January recapture above 30%

## Financial Highlights<sup>(1)</sup>

<i>\$ in mm, unless noted</i>	Q3'15	Q4'15	% QoQ
GAAP PTI	\$50	\$43	(14%)
Non-recurring expenses	---	---	n/a
<b>Adjusted Pretax Income</b>	<b>\$50</b>	<b>\$43</b>	<b>(14%)</b>
Adjusted Pretax Margin	28%	27%	(4%)
Funded Volumes (\$B)	\$4.9	\$4.0	(18%)
Recapture %	28%	27%	(4%)
Purchase mix	22%	21%	(5%)
Consumer direct mix	59%	60%	2%

## Funded Volumes



1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

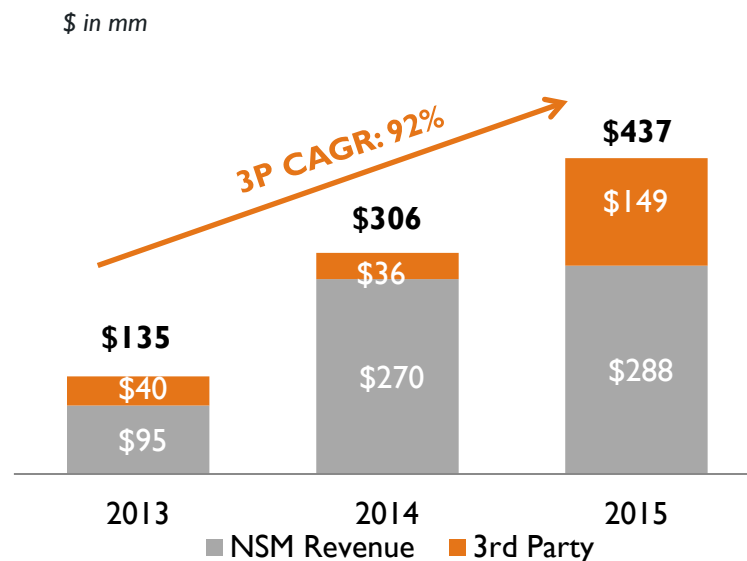
# Xome<sup>SM</sup> Highlights

- 43% revenue growth YoY; revenue growth across all lines of business
  - Exchange earnings up 29% YoY driven by strong property sales execution
- Increased 3<sup>rd</sup> party revenue to 37%; title & close 3<sup>rd</sup> party revenue of 73%
- Expect pickup in Q1 due to strong title / close order volumes in late '15

## Financial Highlights

<i>\$ in mm, unless noted</i>	<b>Q3'15</b>	<b>Q4'15</b>	<b>% QoQ</b>
Revenues	\$109	\$98	(10%)
Expenses	92	92	--
Non-recurring expenses	--	--	--
<b>Adjusted Pretax Income<sup>(1)</sup></b>	<b>\$17</b>	<b>\$6</b>	<b>(65%)</b>
Property Sales	4,913	4,113	(16%)
Fulfillment Orders Completed	167,174	148,878	(11%)
3P Revenue %	34%	37%	9%

## 3<sup>rd</sup> Party Revenue Diversification



1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

# Capital & Liquidity

- NSM will repurchase shares when current price is trading at a significant discount to intrinsic book value

	12/31/15	Per Share <sup>(1)(3)</sup>
Tangible Book Value	\$1,641	\$ 15.19
Intrinsic MSR Value @ 30% Recapture <sup>(2)(3)</sup>	357	3.31
Corporate Overhead (5 years Exp. @ 10% Discount Rate) <sup>(3)</sup>	(209)	(1.94)
<b>Intrinsic Book Value (excluding Xome)</b>	<b>\$ 1,789</b>	<b>\$ 16.56</b>

## Uses of Capital

- Common stock repurchases
- MSR acquisitions that provide attractive returns
- Unsecured debt when trading at a discount

### Currently trading:

- 38% below tangible book value<sup>(4)</sup>
- 43% below intrinsic book value<sup>(4)</sup>



Before any consideration of value for Xome (\$IB+)<sup>(5)</sup>

1) Calculated using fully-diluted average share count of 108.0mm in Q4'15.  
 2) Recapture value not included in MSR valuation  
 3) Represents illustrative economic values to Nationstar based on the 12/31/15 balance sheet  
 4) Based on 2/24/16 closing price of \$9.50  
 5) Based on previously disclosed valuation estimate

# Becoming the Industry Benchmark for Customer Service

1

## **Creating the most customer-focused company in the industry....challenging convention and status quo**

- Consolidation of Nationstar and Greenlight brands
- Enhanced employee experience to drive improved customer experience
- Invest in training with an emphasis on placing the customer first



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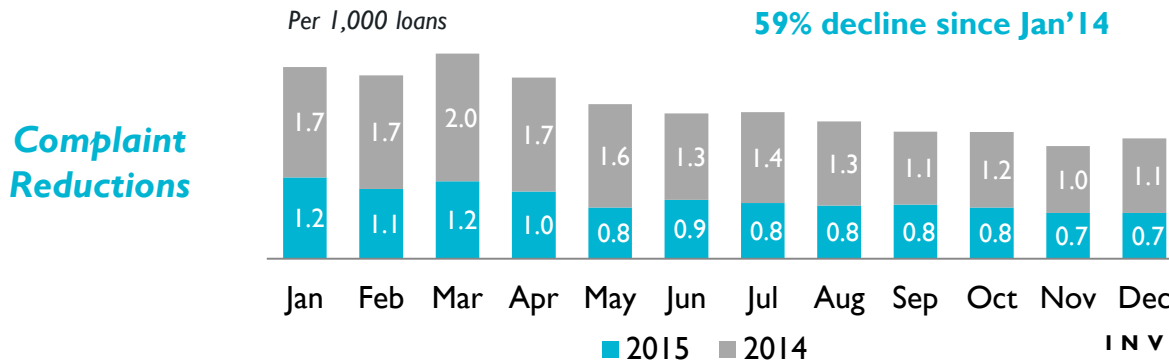
## **Investment in tools to make homeownership better and easier**

- Technology enhancements: enriched website and new mobile app
- Streamlined loan servicing and originations processes
- Revamped customer communications providing more data and market insights

3

## **Continued reduction in complaints**

- Determine and fix root causes
- New IVR with enhanced functionality, more rapid response and scheduled call backs
- Implementation of Glass House





# 2016 Key Initiatives

## *Servicing*

- Maintain top servicer rating with GSEs
  - Successful boarding of \$55B subservicing contract; replicate model
  - Continued improvement in core ops; stable profitability of 5 – 7 bps
  - Lower operating costs through technology implementation and process improvement
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## *Originations*

- Optimize product mix to increase retention (over 30%)
  - Reduced operating expenses to increase competitiveness
  - Maximize earnings given the interest rate environment
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## *Xome*

- Improve profitability of core operations
  - Continue 3rd party growth to target of 50%+
  - Measured investments in new technology workflow / products (\$25 – 30 million)
- 

## *Capital / Liquidity*

- Strong operating cash generation in excess of \$500 million over and above what is needed to replenish servicing portfolio
- Opportunistically repurchase shares / debt when trading at attractive levels
- Continued strengthening of balance sheet ratios

# Endnotes

**Adjusted Cash Flow (“Adjusted Cash Flow”)** This disclaimer applies to every usage of Adjusted Cash Flow in this presentation. Adjusted Cash Flow is a metric that is used by management to provide an estimate of cash flow generated by the operating segments. Adjusted Cash Flow begins with pretax income and makes adjustments for cash and non-cash items including changes in the fair value of MSR, value of capitalized servicing retained, depreciation and amortization, stock based compensation and cash taxes.

**Adjusted Pretax Income (“Adjusted Pretax Income” or “PTI”) (Servicing)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of servicing operations by excluding changes in fair value of the MSR and non-recurring expenses.

**Adjusted Pretax Income (“Adjusted Pretax Income” or “PTI”) (Originations)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of originations operations by excluding non-recurring expenses.

**Adjusted Pretax Income (“Adjusted Pretax Income”, or “PTI”) (Xome)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of Xome operations by excluding non-recurring expenses.

**Servicing profitability** Servicing profitability is a metric used by management to estimate earnings from the servicing segment. Servicing profitability begins with adjusted earnings and adjusts for financing structure payments.

# Appendix



# Liquidity Walk

<i>\$ in mm</i>	<b>Total Cash &amp; Liquidity</b>
<b>Beginning Liquidity Balance – October 1, 2015</b>	<b>\$747</b>
Adjusted cash flow <sup>(1)</sup>	144
MSR / advance acquisitions	(75)
Unsecured senior note repurchases	(100)
Share repurchases	(7)
Other / working capital	54
<b>Ending Liquidity Balance – December 31, 2015</b>	<b>\$763</b>
Share repurchases – through date of release	(59)
Other/working capital	(62)
<b>Liquidity Balance – February 11, 2016</b>	<b>\$642</b>

***Cash balance will fluctuate due to:***

- Working capital
- Origination timing / volume
- Advance recovery
- Active management of warehouse and advance line balances

1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

# Adjusted Income Reconciliation

<i>\$ in mm, except per share data</i>	<u>Q3'15</u>	<u>Q4'15</u>
<b>GAAP Pretax Income</b>	<b>(\$112)</b>	<b>\$121</b>
MTM Adjustments	\$152	(\$67)
Non-Recurring Expenses <sup>(1)</sup>	\$11	---
<b>Adjusted Pretax Income</b>	<b>\$50</b>	<b>\$54</b>
Less: Taxes <sup>(2)</sup>	(\$18)	(\$20)
<b>Adjusted Earnings</b>	<b>\$32</b>	<b>\$34</b>
<b>Adjusted Earnings Per Share<sup>(3)</sup></b>	<b>\$0.30</b>	<b>\$0.32</b>

1) Non-recurring expenses include severance, early termination of vendor contracts and legal settlements.

2) Calculated using tax rate of 36.5% in Q3'15 and 36.5% in Q4'15.

3) Calculated using fully-diluted average share count of 107.6mm in Q3'15 and 108.0mm in Q4'15.

# Adjusted Pretax Income Reconciliations

\$ in mm	Q3'15					Q4'15				
	Servicing	Xome	Orig	Corp / Other	Total	Servicing	Xome	Orig	Corp / Other	Total
<b>GAAP Pretax Income</b>	<b>(\$127)</b>	<b>\$17</b>	<b>\$50</b>	<b>(\$53)</b>	<b>(\$112)</b>	<b>\$118</b>	<b>\$6</b>	<b>\$43</b>	<b>(\$46)</b>	<b>\$121</b>
MTM Adjustments	\$152	---	---	---	\$152	(\$67)	---	---	---	(\$67)
Non-Recurring Expenses <sup>(1)</sup>	\$11	---	---	---	\$11	---	---	---	---	---
<b>Adjusted Pretax Income</b>	<b>\$36</b>	<b>\$17</b>	<b>\$50</b>	<b>(\$53)</b>	<b>\$50</b>	<b>\$51</b>	<b>\$6</b>	<b>\$43</b>	<b>(\$46)</b>	<b>\$54</b>

Note: Numbers may not add down due to rounding.

1) Non-recurring expenses include severance, early termination of vendor contracts and legal settlements.

# Segment Adjusted Cash Flow Reconciliations

\$ in mm	Q3'15					Q4'15				
	Servicing	Xome	Orig	Corp / Other	Total	Servicing	Xome	Orig	Corp / Other	Total
GAAP Pretax Income	(\$127)	\$17	\$50	(\$53)	(\$112)	\$118	\$6	\$43	(\$46)	\$121
MTM Adjustments	\$152	---	---	---	\$152	(\$67)	---	---	---	(\$67)
MSR Amortization <sup>(1)</sup>	\$82	---	---	---	\$82	\$73	---	---	---	\$73
Principal Payments on Co-Invest	\$47	---	---	---	\$47	\$48	---	---	---	\$48
Servicing Value Retained	---	---	(\$60)	---	(\$60)	---	---	(\$49)	---	(\$49)
Other <sup>(2)</sup>	\$7	\$6	\$4	(\$20)	(\$3)	\$7	\$3	\$5	\$3	\$18
Non-Recurring Expenses	\$11	---	---	---	\$11	---	---	---	---	---
<b>Adjusted Cash Flow</b>	<b>\$172</b>	<b>\$23</b>	<b>(\$6)</b>	<b>(\$73)</b>	<b>\$116</b>	<b>\$179</b>	<b>\$9</b>	<b>(\$1)</b>	<b>(\$43)</b>	<b>\$144</b>

1) Total amortization represents amortization of scheduled, voluntary and involuntary principal payments from the mortgage servicing rights, net of accretion from MSR related liabilities including excess spread financing. Previously, the release of mortgage servicing liabilities related to GNMA buy-outs was reflected as a reduction of amortization totaling \$29mm and \$10mm in Q3'15 and Q4'15, respectively, and has been removed to reflect actual amortization for the periods.

2) "Other" principally includes depreciation and amortization (not related to MSRs), stock-based compensation and cash taxes

# Servicing: Operational P&L (in bps)

\$ in mm, unless otherwise noted

	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Operating Revenue	40.9	38.9	41.3	41.9	41.0
Labor costs <sup>(1)</sup>	7.0	6.2	6.2	6.2	6.1
Direct corporate allocation	4.0	4.1	4.0	4.0	4.5
Other direct expenses <sup>(1)</sup>	7.9	8.7	10.1	9.9	7.9
Total Expenses	18.9	18.9	20.3	20.1	18.6
Other (income) / expense	(0.5)	1.5	0.3	0.1	0.3
<b>Adj. operating income b/f amortization</b>	<b>22.5</b>	<b>18.4</b>	<b>20.8</b>	<b>21.8</b>	<b>22.1</b>
MSR amortization	(10.4)	(11.2)	(13.6)	(13.1)	(11.9)
Excess spread accretion	3.3	3.3	4.6	4.8	4.6
Total amortization <sup>(2)</sup>	(7.1)	(7.9)	(8.9)	(8.2)	(7.2)
<b>Adjusted operating income</b>	<b>15.4</b>	<b>10.5</b>	<b>11.8</b>	<b>13.5</b>	<b>14.9</b>
MSR financing liability payments	4.3	3.6	3.2	3.0	2.8
Excess spread payments – principal	4.1	4.2	4.2	4.7	4.8
Excess spread payments – interest / other	2.0	2.0	2.1	2.2	2.3
Total financing structure payments	10.4	9.8	9.5	10.0	9.8
<b>Adjusted Pretax income</b>	<b>5.0</b>	<b>0.7</b>	<b>2.3</b>	<b>3.6</b>	<b>5.1</b>
Excess Spread / Financing MTM	0.7	0.0	(4.4)	6.4	(5.9)
MSR MTM	(2.8)	(11.4)	12.7	(21.5)	12.6
Total MTM adjustments	(2.2)	(11.4)	8.3	(15.2)	6.6
Non-recurring expenses	(0.9)	--	(0.9)	(1.1)	---
GAAP Pretax Income	1.9	(10.6)	9.7	(12.7)	11.7
Average UPB (\$B)	\$379.4	\$385.6	\$394.9	\$399.9	\$403.1

1) Excludes severance and other non-recurring items

2) Previously, the release of mortgage servicing liabilities related to GNMA buy-outs was reflected in the Operating P&L as a reduction of amortization totaling \$29mm in Q3'15 and \$10mm in Q4'15, respectively. These items have been reclassified, for presentation purposes, to the Operating Revenue line item in all periods.



# Servicing: Operating P&L Reconciliation

## GAAP Revenue Reconciliation

<i>\$ in mm</i>	<b>Q3'15</b>	<b>Q4'15</b>
Operating Revenue	\$419	\$414
Less: MSR Financing Liability	(30)	(28)
Less: Excess Spread - principal	(47)	(48)
Less: Amortization – total	(82)	(73)
MTM Adjustments	(152)	67
<b>GAAP Revenue</b>	<b>\$108</b>	<b>\$332</b>

## GAAP Other Income / (Expense) Reconciliation

<i>\$ in mm</i>	<b>Q3'15</b>	<b>Q4'15</b>
Other Income / (Expense)	(\$4)	(\$3)
Plus: Excess Spread – Interest	(22)	(23)
<b>GAAP Other Income / (Expense)</b>	<b>(\$26)</b>	<b>(\$26)</b>