

Equity Research

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Giuliano Bologna

(212) 588-6583
gbologna@btig.com

Mark Palmer

(212) 588-6582
mpalmer@btig.com

Financials

Mr. Cooper Group Inc.

Selloff Creates a Buying Opportunity; Focus on Cash Flow Potential of the Platform

Since Mr. Cooper Group (COOP) reported 4Q18 earnings in early March, there has been a significant amount of confusion and discussion about the company's future strategy and the accounting treatment of MSR's on the company's balance sheet. In an attempt to simplify the analysis, we built a cash flow walk to cut through the complexity and better understand the cash generating potential of the platform based on the current assets and businesses.

- ▶ We believe the recent Pacific Union acquisition is an underappreciated acquisition. The platform adds approximately \$10B of correspondent originations complementing the \$21.2B of funded volume COOP originated in FY18.
- ▶ Going forward, we estimate that COOP would only need to acquire approximately ~\$14B of MSR's per year to maintain the current owned MSR balance. We believe investors should focus on the steady state cash flow potential of the platform with the current MSR assets and businesses rather than including material bulk MSR acquisitions.
- ▶ Stabilizing Assurant could provide material upside to Xome. The business currently operates at a negative margin and COOP believes they can achieve profitability by the end of FY19. When the business was acquired, it was generating \$198M of revenue and COOP plans to board an additional \$80M to \$100M of internal field service orders.
- ▶ Assuming COOP can stabilize Assurant and maintains a stable owned MSR balance, the company could generate cash flow of \$157.4M in FY20E and \$178.9M in FY21E. Based on our FY21 estimate, COOP shares trade at a 23% cash flow yield.
- ▶ COOP's 1Q19 conference call is scheduled for 9am on May 1st and the company historically releases results the previous evening. We expect the company will release more detailed forward guidance during the quarter.
- ▶ **Valuation:** Our \$21 price target for COOP is based on 7.5X our FY20E adjusted earnings per share estimate of \$2.84.

COOP **\$8.56**

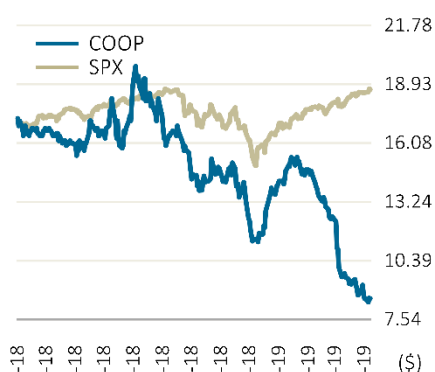
12 month target \$21.00

BUY

52 week range \$8.38 - \$19.80

Market Cap (m) \$777

Price Performance



Source: IDC

Estimates

	1Q18 A	2Q18 A	3Q18 A	4Q18 A	FY18 A	1Q19 E	2Q19 E	3Q19 E	4Q19 E	FY19 E	FY20 E
Sales	588	444	506	252	1,790	305	540	544	533	1,922	2,183
Net Income (Adj.)	43	52	54	50	199	42	49	52	60	202	262
Diluted EPS (Adj.)	0.47	0.57	0.59	0.55	2.17	0.46	0.53	0.57	0.65	2.22	2.84
Tangible BVPS	19.40	20.05	21.56	20.17	20.17	18.88	21.45	21.86	22.33	22.33	24.38

Source: BTIG Estimates and Company Documents (\$ in millions, except per share amount)

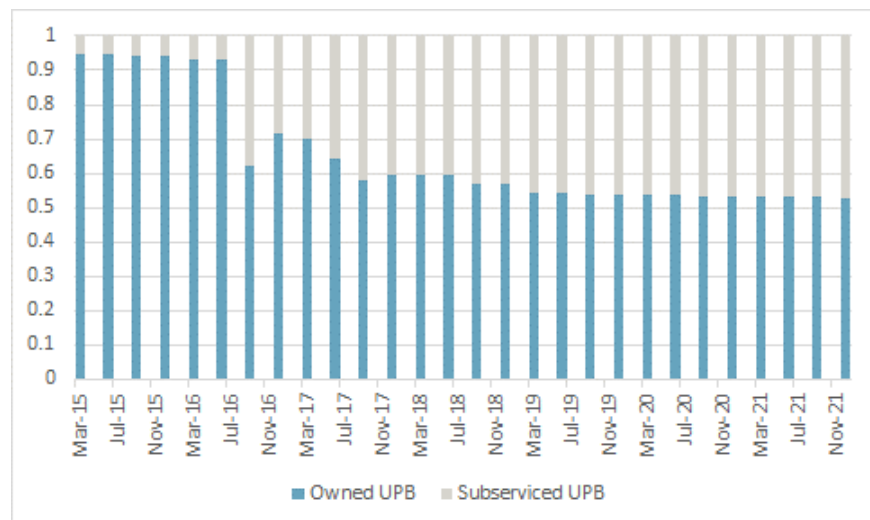
Servicing and Originations

We look at the combined cash flow generation of the Servicing and Originations segments together because MSR assets are retained and the cash flows associated with the MSR are earned over time. If COOP changes its practices and begins selling the MSRs associated with the loans originated by the company, we would separate the cash flow of the two units.

COOP services loans in two separate capacities: either the company retains the MSR asset and services the mortgage or the company may subservice the loan for a third party in exchange for a fee. When COOP retains ownership of the MSR, the business requires capital due to the capital-intensive nature of owning the asset whereas subservicing is a capital-light business in which COOP services a loan for a third party that retains ownership of the MSR asset.

Owned MSR servicing should generate somewhere between 8 and 10 bps of profitability compared to between 2 and 3 bps for subservicing.

Exhibit 1: Owned MSR vs. Subservicing UPB Distribution



Source: BTIG Estimates and Company Reports

The company's Owned MSR UBP and Subserviced UBP distribution has evolved over time as more of the business has shifted towards subservicing. At 4Q18, 56.9% of UBP was owned and 43.1% was subserviced for others.

MSR additions – COOP retains the MSRs associated with the loans originated by the company's originations segment and purchases MSRs from third parties on a flow or bulk basis to replenish the company's portfolio.

In 2018, COOP funded \$21.2B of origination volume. On February 19th the company closed the acquisition of Pacific Union Financial, LLC (PacU), for a net purchase price of \$128M. In 2018, PacU originated \$11.5B and the COOP estimates it will be able to retain \$10B+ of that volume.

We model \$29.3B and \$31.1B of originations including PacU in FY19 and FY20, respectively. The increase in volume between the periods is almost entirely due to a full year of PacU volumes in FY20 compared to 3 quarters and 11 days in FY19.

We believe the value of the additional origination volume from the PacU acquisition an underappreciated source of MSR creation for the company. Going forward this internal source of MSRs should offset the majority of the runoff of COOP's owned MSR portfolio.

In our model, we estimate that COOP will only need to acquire ~\$14B of MSRs to maintain their portfolio at approximately \$317B of MSR UPB through the end of FY21.

MSR cost & fair value – The average capitalization of MSRs on COOP's balance sheet at 4Q18 was 124 bps. Due to the decrease in interest rates during 1Q19, we are reducing the capitalized value of MSRs by 5 bps to 119 bps in 1Q19, which will result in a \$177.3M GAAP fair value reduction.

To simplify the cash flow analysis, we assume that the average MSR costs the company 119 bps on a gross basis going forward and that the company finances 35% of the purchase/capitalization with excess spread financing. On a net basis, an acquired MSR should cost ~77 bps.

For MSRs originated by the company, the equation is slightly different. In FY19, we model a production margin of 41 bps for COOP's Origination segment. The production margin includes the gross capitalization of the MSR associated with originated loans. Assuming 119 bps gross capitalization with 35% excess spread financing, the net cost to create an MSR should be ~37 bps.

In our opinion, the Origination business should be viewed as a cheap source of MSR creation for the company.

Servicing margins – Our FY19E Adj. pretax income margin is 5.9 bps compared to 6.3 bps in FY18. This estimate reflects the additional costs associated with project Titan during FY19 that roll off during FY20. In FY20 and FY21, our Servicing Adj. pretax income margin increases to 6.0 bps. We believe these estimates reflect the impact of eliminating project Titan expenses but don't give the company credit for expense savings associated with the program. During 4Q18, the company said they have line of sight into \$30M of expense savings in the near term and have a number of other initiatives that could increase the total savings well above \$30M.

Servicing Cash Flow Walk – In an attempt to simplify some of the accounting noise from period to period, we provide a segment by segment cash flow model on p. 6 of this report.

In this model, we start with Adj. pretax earnings and add back non-cash expenses: MSR amortization and depreciation and amortization. We also reverse the excess spread accretion benefit, which has the impact of only accounting for the cash payments made on excess spread, removing the noncash benefit. Additionally, we include the purchase price of PacU and Seterus as MSR acquisitions and include the capital contribution required to originate and purchase MSRs to replenish the portfolio.

Using FY20E as a base period with a full year of PacU originations, we estimate that the combined servicing and originations platform should generate \$383.5M of cash flow including \$226.6M spent to acquire and create \$45.4B of MSRs and maintain the portfolio UBP stable.

We believe that our margin of 6.0 bps is conservative in FY20 and FY21. For every 0.1 bps increase in FY20, COOP should be able to generate an additional \$30.7M of cash flow above our current estimates.

Xome

COOP acquired Assurant Mortgage Solutions in August 2018. At the time, Assurant was generating \$198M of revenue at a negative margin. During 4Q18, Assurant generated a pretax loss of \$7M. The company expects to turn around the Assurant business, achieving profitability by the end of FY19.

Additionally, COOP intends to board the company's field service orders onto the Assurant platform, which should add between \$80M and \$100M of revenue.

We estimate that Xome generated \$248M of revenue excluding Assurant in 2018 at a pretax operating margin of 21.8%. Going forward, we estimate that Xome revenues excluding Assurant will continue to decline and remain at a 20% pretax operating margin.

Assurant revenue – We model \$209M, \$257M and \$278M of revenue in FY19, FY20 and FY21. Those estimates begin to include a small contribution from the boarded COOP field service at the end of FY19 and scaling to 100% by the end of FY20.

Assurant margins – We model Assurant achieving a modest pretax operating profit in 4Q19. Going forward, we scale up the profitability of Assurant to 10% at the end of FY20 and maintain that margin through FY21.

Xome Cash Flow Walk – To calculate cash flow, we start with segment Adj. Pretax Income and add back depreciation and amortization. We estimate that Xome will generate cash flow of \$79.5M in FY20E and \$89M in FY21E.

Corporate and Other

The corporate and other segment includes corporate expenses and corporate debt interest expense. We model operating expenses of \$23M per quarter in the corporate segment in FY19 increasing at 3% per year. We would expect the company to try to cut some of the corporate expenses in the future. We include the impact of stock-based compensation, consolidated cash tax expense and consolidated CAPEX in the corporate and other segment.

1Q19 Earnings Preview

We are updating our model and 1Q19 estimates. Our new 1Q19 Adj. earnings per share is \$0.46 and our GAAP loss per share is -\$1.12, reflecting the impact of a \$177.3M MSR write-down. As a result, our tangible book value per share estimate falls to \$18.88 in 1Q19.

During the quarter, we expect management to begin rolling out more comprehensive forward guidance. COOP's new CFO, Chris Marshall, had only been with the company for slightly over 2 months when the company reported 4Q18 results and assumed the role of CFO when the 10K was filed, after the earnings report. We expect the company to be able to provide more detailed guidance and updates on a few of the topics discussed during the previous quarter.

Project TITAN – Project Titan expenses were \$12M during 4Q18 and the company expects those expenses to remain at similar levels in 1H19, peaking in 2H19 and falling off materially during FY20.

Assurant stabilization – During 4Q18, Assurant generated a pretax operating loss of \$7M and the company expects the unit to achieve profitability by the end of FY19.

Hedging – During the 4Q18 call, the company mentioned that it would revisit the use of hedging to manage interest rate risk. Where does the company stand on hedging going forward?

Cash Flow Model

In the table below, we provide a simplified way of measuring the free cash flow potential of the COOP platform assuming the company stabilizes Assurant and maintains owned MSR balances roughly stable through the end of FY21.

Servicing and Originations – Our 1Q19 estimate assumes the acquisitions of PacU and Seterus are the only sources of MSR acquisitions during 1Q19 for a net purchase price of \$136M. And, \$60M of proceeds from the sale of \$20B of MSRs sold with subservicing retained during the period.

In the model, COOP should be able to generate \$178.9M of cash flow or \$1.93 per share in FY21. Based on the current market cap, COOP shares trade at a 23% yield on FY21 cash flow.

Cash Flow Model Assuming Stable Owned MSR Portfolio

COOP - Free Cash Flow Proxy \$ millions	Mar-19 1Q19E	Jun-19 2Q19E	Sep-19 3Q19E	Dec-19 4Q19E	Dec-19 2019E	Mar-20 1Q20E	Jun-20 2Q20E	Sep-20 3Q20E	Dec-20 4Q20E	Dec-20 2020E	Mar-21 1Q21E	Jun-21 2Q21E	Sep-21 3Q21E	Dec-21 4Q21E	Dec-21 2021E
SERVICING and ORIGINATIONS															
Owned MSR UPB - EOP	316.7	317.0	316.5	316.4	316.4	315.2	315.2	315.6	316.2	316.2	315.8	316.5	317.6	318.8	318.8
Subserviced UPB - EOP	266.8	268.3	269.4	270.6	270.6	271.0	272.7	274.7	276.6	276.6	277.5	279.6	281.9	284.3	284.3
Reverse MSR UPB - EOP	27.6	26.8	26.1	25.4	25.4	24.7	24.0	23.3	22.7	22.7	21.6	20.6	19.7	18.8	18.8
Total MSR UPB - end of period	611.2	612.1	612.0	612.3	612.3	610.8	611.9	613.6	615.5	615.5	615.0	616.7	619.2	621.9	621.9
MSR UPB - average	579.1	611.2	611.7	611.8	603.4	611.2	611.0	612.4	614.3	612.2	614.7	615.4	617.5	620.1	616.9
Funded origination volume	5.4	8.4	8.3	7.2	29.3	6.8	8.5	8.4	7.3	31.1	7.0	8.7	8.6	7.4	31.7
Originations production margin	0.45%	0.40%	0.40%	0.40%	0.41%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Assumed MSR capitalization rate	1.24%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%
Excess spread financing (at 35%)	0.43%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
Implied cost to create MSR	0.36%	0.37%	0.37%	0.37%	0.36%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
Capital used to fund originated MSRs	-19.2	-31.5	-30.9	-26.8	-108.4	-25.5	-31.9	-31.4	-27.2	-116.0	-26.0	-32.6	-32.0	-27.8	-118.3
MSR additions	0.0	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.5	26.0	6.5	6.5	6.5	6.5	26.0
Assumed owned MSR ratio	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
Owned MSRs acquired	0.0	3.3	3.3	3.3	9.9	3.6	3.6	3.6	3.6	14.3	3.6	3.6	3.6	3.6	14.3
Assumed MSR purchase price	1.24%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%
Excess spread financing (at 35%)	0.43%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
Cost to acquire MSRs - net	0.81%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%
Capital used to fund owned MSR acquisitions	0.0	-25.5	-25.5	-25.5	-76.6	-27.7	-27.7	-27.7	-27.7	-110.6	-27.7	-27.7	-27.7	-27.7	-110.6
Adj. Pretax income	91.1	85.7	86.1	94.6	357.5	95.0	87.2	87.8	96.3	366.2	95.5	88.3	89.4	98.5	371.7
Add back - MSR amortization	86.1	95.1	93.0	83.1	357.3	88.8	94.6	92.7	82.9	359.0	88.9	94.8	93.1	83.5	360.4
Add back - Excess spread accretion	-35.5	-37.7	-37.7	-37.8	-148.7	-37.8	-37.8	-38.0	-38.1	-151.7	-38.2	-38.3	-38.5	-38.7	-153.8
Add back - Other non-cash amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Add back - Depreciation and amortization	8.8	9.2	9.2	9.2	36.3	9.2	9.2	9.2	9.2	36.7	9.2	9.2	9.2	9.2	36.8
Origination capital	-19.2	-31.5	-30.9	-26.8	-108.4	-25.5	-31.9	-31.4	-27.2	-116.0	-26.0	-32.6	-32.0	-27.8	-118.3
MSR acquisitions	0.0	-25.5	-25.5	-25.5	-76.6	-27.7	-27.7	-27.7	-27.7	-110.6	-27.7	-27.7	-27.7	-27.7	-110.6
Sale of MSR's (\$20B subservicing retained)	60.0	0.0	0.0	0.0	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions (Pacific Union and Seterus)	-136.0	0.0	0.0	0.0	-136.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Servicing and Originations cash flow	55.3	95.3	94.2	96.7	341.4	101.9	93.5	92.6	95.4	383.5	101.7	93.8	93.6	97.2	386.1
XOME															
Adj. Pretax income	2.2	4.8	8.0	10.8	25.7	14.4	15.1	17.9	17.4	64.8	18.8	17.9	19.4	17.7	73.8
Add back - Depreciation and amortization	3.3	3.2	3.4	3.4	13.3	3.6	3.6	3.8	3.7	14.7	3.8	3.7	3.9	3.7	15.2
Xome cash flow	5.4	8.1	11.4	14.2	39.0	18.0	18.7	21.8	21.0	79.5	22.6	21.6	23.3	21.5	89.0
CORPORATE & OTHER															
Adj. Pretax income	-74.7	-74.0	-73.1	-72.5	-294.3	-72.6	-71.8	-71.0	-70.1	-285.5	-70.0	-69.2	-68.4	-67.6	-275.3
Add back - depreciation and amortization	6.0	6.0	6.0	6.0	24.0	6.2	6.2	6.2	6.2	24.7	6.4	6.4	6.4	6.4	25.5
Add back - Stock based compensation	4.8	4.8	4.8	4.8	19.0	4.8	4.8	4.8	4.8	19.4	4.9	4.9	4.9	4.9	19.8
Less: Consolidated cash tax expense	-1.3	-1.5	-1.6	-1.8	-6.3	-1.9	-1.9	-2.0	-2.2	-8.1	-2.2	-2.2	-2.2	-2.4	-8.9
Less: CAPEX	-13.8	-13.8	-13.8	-13.8	-55.0	-14.0	-14.0	-14.0	-14.0	-56.1	-14.3	-14.3	-14.3	-14.3	-57.2
Corporate & other cash flow	-79.0	-78.5	-77.8	-77.3	-312.5	-77.5	-76.7	-76.0	-75.3	-305.6	-75.2	-74.4	-73.7	-73.0	-296.2
CONSOLIDATED RESULTS															
Free cash flow	-18.3	24.8	27.8	33.5	67.9	42.4	35.5	38.4	41.1	157.4	49.1	41.0	43.2	45.6	178.9
Free cash flow per COOP diluted share	-\$0.20	\$0.27	\$0.30	\$0.37	\$0.74	\$0.46	\$0.39	\$0.42	\$0.45	\$1.71	\$0.53	\$0.44	\$0.47	\$0.49	\$1.93
Diluted shares outstanding	91.0	91.2	91.4	91.5	91.3	91.7	91.9	92.1	92.3	92.0	92.5	92.6	92.8	93.0	92.7

Source: BTIG Estimates and Company Documents

Income Statement

COOP - Operating Model	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21
\$ millions	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18A	4Q18A	2018A	1Q19E	2Q19E	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E
Service related	1,136	283	213	252	296	1,044	464	317	379	159	1,319	212	400	407	413	1,432	415	410	420	422	1,666	422	416	426	428	1,692
Net gain on mortgage loans held for sale	797	144	167	154	142	607	124	127	127	93	471	92	140	138	120	490	114	142	140	121	517	116	145	143	124	528
Total revenues	1,933	427	380	406	438	1,651	588	444	506	252	1,790	305	540	544	533	1,922	528	552	560	543	2,183	538	561	569	552	2,220
Total expenses	1,663	372	369	368	366	1,475	364	339	517	432	1,652	399	449	451	432	1,731	426	449	454	433	1,762	430	453	458	437	1,779
Interest income	426	139	139	157	162	597	145	140	138	166	589	129	132	133	129	523	125	125	125	121	496	117	115	114	109	455
Interest expense	-665	-190	-186	-181	-174	-731	-171	-164	-175	-171	-681	-169	-172	-173	-168	-682	-164	-163	-163	-158	-647	-153	-151	-150	-145	-599
Other expense	-2	-1	7	-2	-1	3	8	-2	6	7	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total other expenses	-241	-52	-40	-26	-13	-131	-18	-26	-31	2	-73	-40	-40	-40	-40	-160	-38	-38	-38	-37	-151	-36	-36	-36	-36	-144
Pretax income (expense)	29	3	-29	12	59	45	206	79	-42	-178	65	-134	50	54	62	31	64	65	68	73	270	72	72	75	78	297
Income tax expense	-13	-1	10	-5	-17	-13	-46	-21	998	42	973	32	-12	-13	-15	-8	-15	-16	-16	-17	-65	-17	-17	-18	-19	-71
Noncontrolling interest	-3	0	1	0	0	1	0	0	9	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income (loss)	19	2	-20	7	42	31	160	58	947	-136	1,029	-102	38	41	47	24	49	49	52	55	205	55	55	57	60	226
Basic EPS - GAAP	\$0.21	\$0.02	-\$0.22	\$0.08	\$0.46	\$0.34	\$1.76	\$0.64	\$10.43	-\$1.50	\$11.33	-\$1.12	\$0.42	\$0.45	\$0.51	\$0.26	\$0.53	\$0.54	\$0.56	\$0.60	\$2.23	\$0.59	\$0.59	\$0.61	\$0.64	\$2.43
Diluted EPS - GAAP	\$0.21	\$0.02	-\$0.22	\$0.08	\$0.46	\$0.34	\$1.74	\$0.63	\$10.29	-\$1.50	\$11.22	-\$1.12	\$0.42	\$0.45	\$0.51	\$0.26	\$0.53	\$0.54	\$0.56	\$0.60	\$2.23	\$0.59	\$0.59	\$0.61	\$0.64	\$2.43
Adjusted EPS - Pro Forma	\$1.79	\$0.32	\$0.46	\$0.47	\$0.47	\$1.71	\$0.47	\$0.57	\$0.59	\$0.55	\$2.17	\$0.46	\$0.53	\$0.57	\$0.65	\$2.22	\$0.68	\$0.68	\$0.72	\$0.76	\$2.84	\$0.76	\$0.75	\$0.78	\$0.82	\$3.11
Common shares	90.8	90.8	90.8	90.8	90.8	90.8	90.8	90.8	90.8	90.8	90.8	91.0	91.2	91.4	91.5	91.3	91.7	91.9	92.1	92.3	92.0	92.5	92.6	92.8	93.0	92.7
Diluted shares - Pro Forma	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	90.8	91.7	91.7	91.0	91.2	91.4	91.5	91.3	91.7	91.9	92.1	92.3	92.0	92.5	92.6	92.8	93.0	92.7
Pretax income (expense)	29	3	-29	12	59	45	206	79	-42	-178	65	-134	50	54	62	31	64	65	68	73	270	72	72	75	78	297
Mark-to-market	192	38	90	48	0	176	-152	-19	-49	188	-32	177	0	0	0	177	0	0	0	0	0	0	0	0	0	0
Adjustments	43	6	6	7	8	27	3	9	148	42	202	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted pretax income (loss)	264	47	67	67	67	248	57	69	57	52	235	43	50	54	62	209	64	65	68	73	270	72	72	75	78	297
Income tax expense	-99	-18	-25	-24	-24	-91	-14	-17	-3	-2	-36	-1	-2	-2	-2	-6	-2	-2	-2	-2	-8	-2	-2	-2	-2	-9
Adjusted net income (loss)	165	29	42	43	43	157	43	52	54	50	199	42	49	52	60	202	62	63	66	70	262	70	70	72	76	288
Adjusted EPS	\$1.79	\$0.32	\$0.46	\$0.47	\$0.47	\$1.71	\$0.47	\$0.57	\$0.59	\$0.55	\$2.17	\$0.46	\$0.53	\$0.57	\$0.65	\$2.22	\$0.68	\$0.68	\$0.72	\$0.76	\$2.84	\$0.76	\$0.75	\$0.78	\$0.82	\$3.11
Diluted shares - Pro Forma	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	90.8	91.7	91.7	91.0	91.2	91.4	91.5	91.3	91.7	91.9	92.1	92.3	92.0	92.5	92.6	92.8	93.0	92.7
Servicing Metrics:																										
Adj. Pretax Income	210	66	55	65	78	264	68	72	81	100	321	91	86	86	95	357	95	87	88	96	366	96	88	89	99	372
Adj. Servicing Profitability (bps)	5.2	5.6	4.5	5.0	5.8	5.2	5.4	5.8	6.5	7.6	6.3	6.3	5.6	5.6	6.2	5.9	6.2	5.7	5.7	6.3	6.0	6.2	5.7	5.8	6.4	6.0
UPB - end of period (\$B)	473	470	498	533	508	508	500	498	514	548	548	611	612	612	612	612	611	612	614	616	616	615	617	619	622	622
UPB - average (\$B)	406	470	494	521	536	505	504	497	500	526	507	579	611	612	612	603	611	611	612	614	612	615	615	617	620	617
Originations Metrics:																										
Adj. Pretax Income	222	27	56	46	34	163	24	33	33	16	106	24	34	33	29	120	27	34	34	29	124	28	35	34	30	127
Total originations	20,470	3,805	4,200	4,930	4,796	17,731	4,862	5,440	5,027	4,873	20,202	5,398	8,423	8,270	7,179	29,271	6,832	8,550	8,394	7,287	31,063	6,969	8,721	8,562	7,433	31,684
Production margin	1.09%	0.58%	1.32%	0.90%	0.66%	0.85%	0.47%	0.60%	0.64%	0.29%	0.50%	0.45%	0.40%	0.40%	0.40%	0.41%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Xome Metrics:																										
Adj. Pretax Income	77	13	12	12	13	50	14	13	11	8	46	2	5	8	11	26	14	15	18	17	65	19	18	19	18	74
Adj. Pretax Income margin	23.1%	20.0%	19.7%	23.1%	25.8%	21.9%	26.2%	25.8%	14.7%	10.6%	17.8%	5.0%	7.5%	10.0%	12.5%	8.8%	15.0%	15.8%	17.0%	17.3%	16.3%	17.8%	17.5%	17.8%	17.3%	17.6%
Corporate & Other Metrics:																										
Adj. Pretax Income	-245	-59	-56	-56	-58	-229	-49	-49	-68	-72	-238	-75	-74	-73	-72	-294	-73	-72	-71	-70	-285	-70	-69	-68	-68	-275
Consolidated Metrics:																										
Return on equity	10.4%	6.9%	10.0%	10.3%	10.1%	9.3%	9.5%	10.9%	10.7%	9.9%	10.4%	8.8%	10.0%	10.0%	11.2%	10.0%	11.4%	11.2%	11.6%	12.0%	11.6%	11.7%	11.4%	11.5%	11.9%	11.6%
Tangible book value per share	17.21	17.26	17.01	17.15	17.64	17.64	19.40	20.05	21.56	20.17	20.17	18.88	21.45	21.86	22.33	22.33	22.81	23.31	23.83	24.38	24.38	24.92	25.46	26.02	26.61	26.61
GAAP tax rate	44.8%	33.3%	34.5%	41.7%	24.0%	28.9%	22.3%	26.6%	2376.2%	23.6%	-1496.9%	24%	24%	24%	24%	24.0%	24%	24%	24%	24%	24.0%	24%	24%	24%	24%	24.0%

Source: BTIG Estimates and Company Documents

BTIG Covered Companies Mentioned in this Report

MR. COOPER GROUP INC. (COOP, Buy, \$21.00 PT; Current Price: \$8.56; Analyst: Giuliano.Bologna)

Appendix: Analyst Certification and Other Important Disclosures

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Mr. Cooper Group Inc. (COOP, Buy, \$21.00 PT)

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Risks: Risks to our rating include: regulatory risks, the company's ability to access the capital markets for servicing and originations activities, the ability to refinance corporate debt, the ability to fund future growth, interest rate risk and economic risks.

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