



# **US Title Insurance Companies**

**May 2016**

# First American Financial Corp.



First American

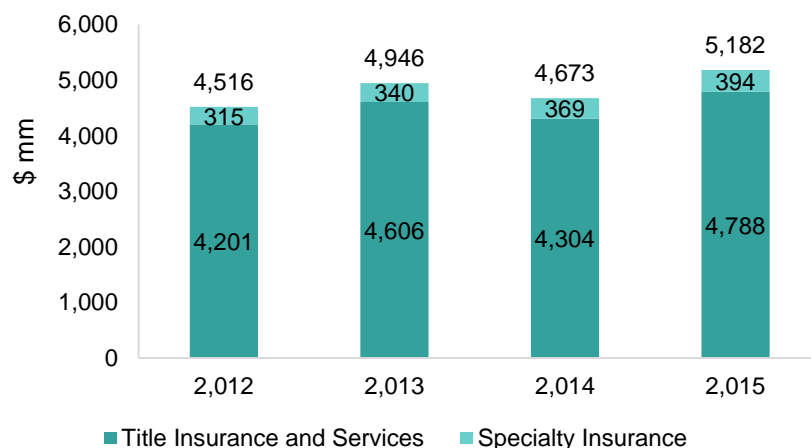
## Overview

- First American Financial Corporation is a United States financial services company and is a provider of title insurance and settlement services to the real estate and mortgage industries
- The title insurance and services segment provides title insurance, closing and/or escrow services in connection with residential and commercial real estate transactions
  - It also provides products, services and solutions involving the use of real property related data, including data derived from its proprietary database, which are designed to mitigate risk or otherwise facilitate real estate transactions
- The Company serves homebuyers and sellers, real estate professionals, loan originators and servicers, commercial property professionals, homebuilders and others involved in residential and commercial property transactions with products and services specific to their needs
- **Founded:** 1889 **Employees:** 17,955 (2015) **Headquarters:** Santa Ana, CA

## Recent News

- **April 1<sup>st</sup>, 2016:** First American Mortgage Solutions, a subsidiary of First American Financial Corporation announced its acquisition of Forsythe Appraisals, an independent residential appraisal company in the US. The acquisition of Forsythe Appraisals augments First American Mortgage Solutions' existing valuation capabilities, providing lender customers with valuation options
- **March 1<sup>st</sup>, 2016:** The Company announced the acquisition of TitleVest Holdings Group, a New York City-based title agency offering a full range of title insurance and related services for real property purchase and refinance transactions. First American's acquisition of TitleVest will expand the company's operations in the New York area

## Revenue by Segment



## Title Segment Financial Breakdown

(in \$ mm)	FY13	FY14	FY15
<b>Revenues:</b>			
Direct premiums and escrow fees	1,803.6	1,698.4	1,929.8
Agent premiums	2,061.4	1,867.4	2,098.3
Others	741.0	738.6	760.1
<b>Total</b>	<b>4,606.1</b>	<b>4,304.4</b>	<b>4,788.1</b>
<b>Expenses:</b>			
Personnel costs	1,380.5	1,338.0	1,491.9
Premiums retained by agents	1,637.6	1,472.1	1,656.7
Other operating expenses	773.8	736.5	745.3
Provision for policy losses and other claims	343.5	253.1	263.9
Depreciation and amortization	67.0	77.8	80.4
Premium taxes	51.0	51.1	57.5
Interest	2.6	2.8	2.5
<b>Total</b>	<b>4,255.9</b>	<b>3,931.4</b>	<b>4,298.2</b>
<b>Income before income taxes</b>	<b>350.2</b>	<b>373.0</b>	<b>490.0</b>
<b>Margins</b>	<b>7.6%</b>	<b>8.7%</b>	<b>10.2%</b>

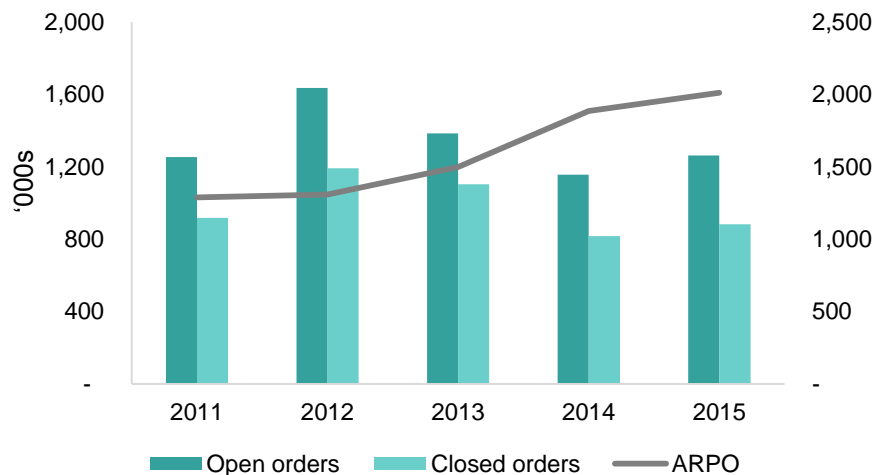
Source: Bloomberg, Company Financials, Company Website

# Financial Overview



First American

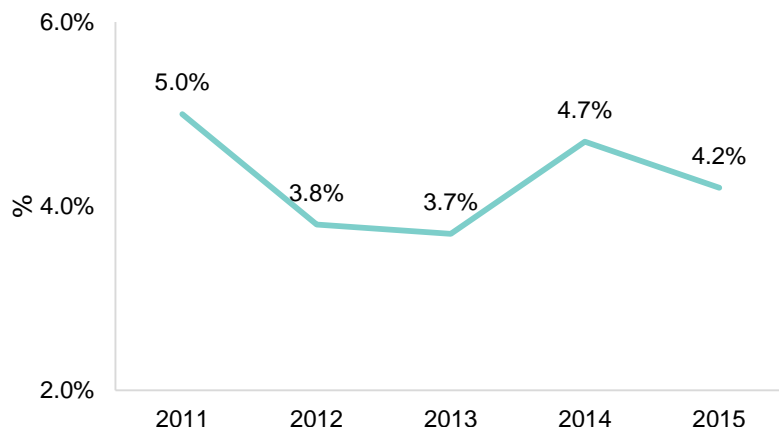
## Open, Closed orders and ARPO<sup>(1)</sup>



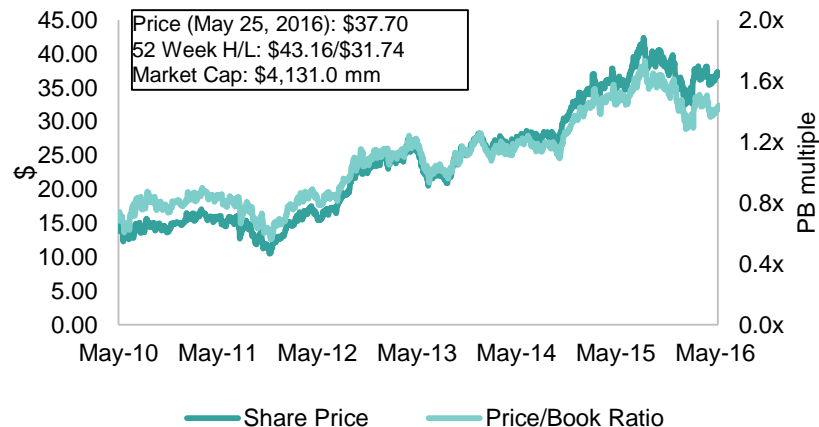
## Financial Overview

(in \$ mm)	FY12	FY13	FY14	FY15
Revenues	4477.7	4946.9	4647.9	5182.0
Growth	16.9%	10.5%	(6.0%)	11.5%
EBITDA	492.8	409.2	434.2	559.6
Margin	11.0%	8.3%	9.3%	10.8%
Net Profit	301.0	186.4	233.5	288.1
Margin	6.7%	3.8%	5.0%	5.6%
Debt	229.8	310.3	587.3	585.1
Debt / EBITDA	0.5x	0.8x	1.4x	1.0x
Capex	83.9	87.1	97.2	123.7
Total Assets	6,050.8	6,559.2	7,666.1	8,254.4
Total Equity	2,351.8	2,456.2	2,576.0	2,761.7

## Loss Ratio<sup>(1)</sup>



## Share Price Performance



Source: Bloomberg, Company Filings and Website

(1) ARPO: Average Revenue per Order is the total revenue divided by the number of orders; Loss ratio is the total losses paid by an insurance company in the form of claims

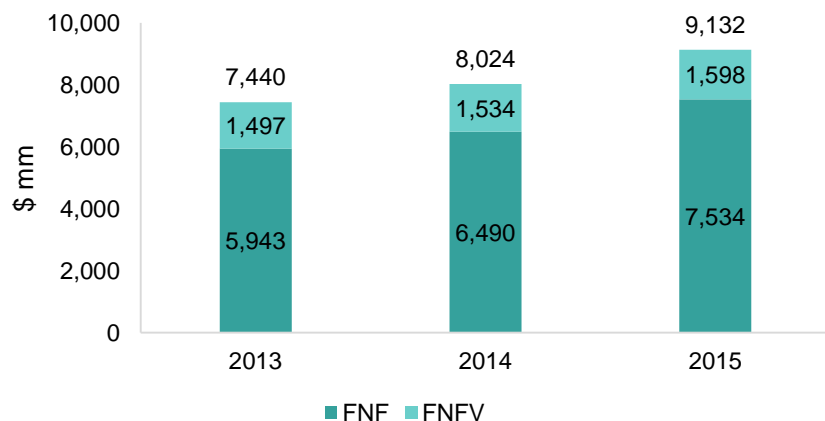
# Fidelity National Financial



## Overview

- Fidelity National Financial (FNF) is a provider of title insurance, escrow and other title related services, including collection and trust activities, trustee sales guarantees, recordings and reconveyances and home warranty insurance
  - It also provides technology and transaction services to the real estate and mortgage industries
- FNF is organized into two groups including FNF Group and FNF Venture (FNFV)
- Operates through its title insurance underwriters including Fidelity National Title Insurance Company, Chicago Title Insurance Company, Commonwealth Land Title Insurance Company, Alamo Title Insurance and National Title Insurance of New York
- **Founded:** 1847      **Employees:** 54,091 (2015)
- **Headquarters:** Jacksonville, FL

## Revenue by Segment



## Recent News

- **November 2<sup>nd</sup>, 2015:** Fidelity National Financial announced the appointment of Mike Nolan to President. In addition to his role as President, Nolan will continue to have responsibility for the Eastern Operations of Fidelity National Title Group (FNTG) and become involved in FNF's investor relations efforts
- **July 30<sup>th</sup>, 2015:** The Company announced that it has increased its ownership stake in ServiceLink to 79.0% from 65.0% through the completion of a recapitalization of ServiceLink Holdings by a conversion of \$505.0 mm of the \$566.0 mm intercompany note principal and interest into additional equity ownership in ServiceLink

## Title Segment Financial Breakdown

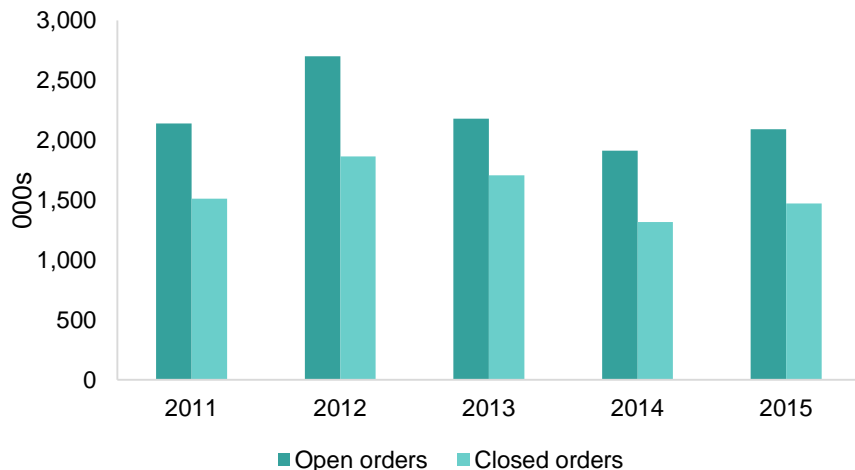
(in \$ mm)	FY13	FY14	FY15
<b>Revenues:</b>			
Direct title insurance premiums	1,800.0	1,727.0	2,009.0
Agency title insurance premiums	2,352.0	1,944.0	2,277.0
Escrow, title-related and other fees	1,597.0	1,855.0	2,005.0
Others	145.0	118.0	137.0
<b>Total</b>	<b>5,894.0</b>	<b>5,644.0</b>	<b>6,428.0</b>
<b>Expenses:</b>			
Personnel costs	1,845.0	1,896.0	2,090.0
Other operating expenses	1,096.0	1,370.0	1,381.0
Agent commissions	1,789.0	1,471.0	1,731.0
Depreciation and amortization	65.0	145.0	144.0
Provision for title claim losses	291.0	228.0	246.0
<b>Total</b>	<b>5,086.0</b>	<b>5,110.0</b>	<b>5,592.0</b>
<b>Income before income taxes</b>	<b>808.0</b>	<b>534.0</b>	<b>836.0</b>
<b>Margins</b>	<b>13.7%</b>	<b>9.5%</b>	<b>13.0%</b>

Source: Bloomberg, Company Financials, Company Website

# Financial Overview



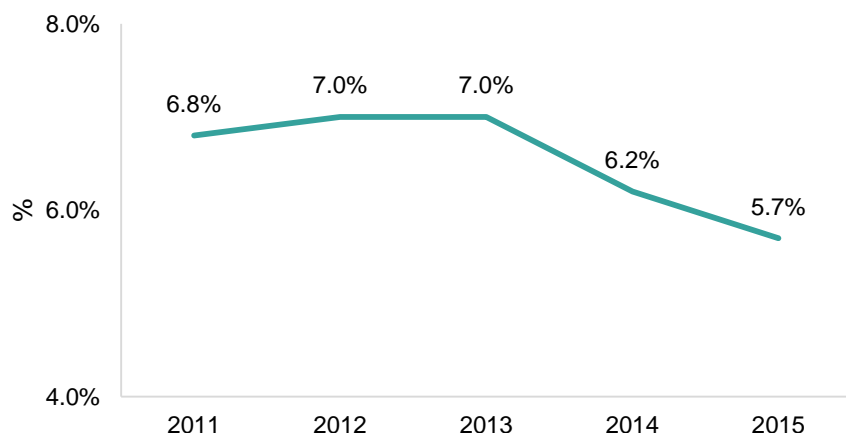
## Open and Closed Orders



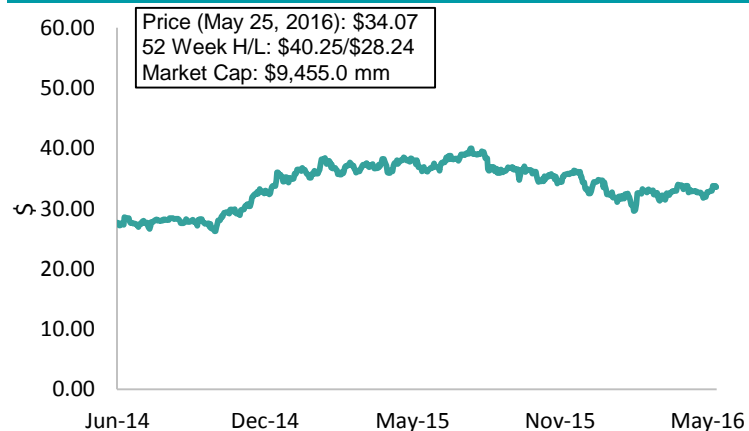
## Financial Overview

(in \$ mm)	FY12	FY13	FY14	FY15
Revenues	7,165.0	8,565.0	8,024.0	9,132.0
<i>Growth</i>	48.1%	19.5%	(6.3%)	13.8%
EBITDA	1,040.8	953.0	995.0	1,408.0
<i>Margin</i>	14.5%	11.1%	12.4%	15.4%
Net Profit	607.0	402.0	583.0	527.0
<i>Margin</i>	8.5%	4.7%	7.3%	5.8%
Debt	1,343.9	1,323.0	2,826.0	2,013.0
Debt / EBITDA	1.3x	1.4x	2.8x	1.4x
Capex	79.2	145.0	210.0	241.0
Total Assets	9,902.6	10,524.0	13,868.0	13,931.0
Total Equity	4,749.1	5,542.0	6,788.0	6,588.0

## Loss Ratio



## Share Price Performance



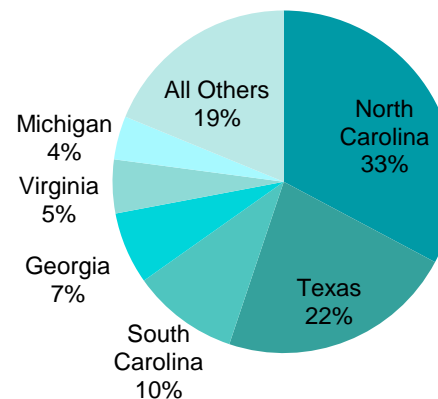
Source: Bloomberg, Company Financials, Company Website

# Investors Title Insurance Company

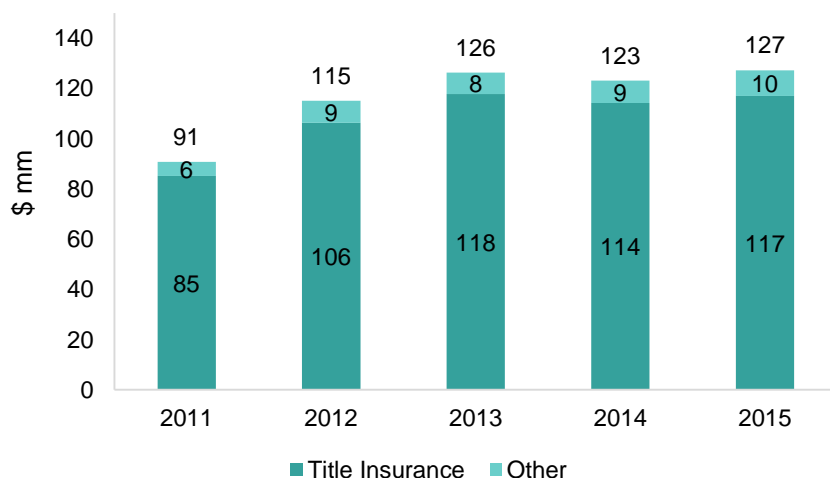
## Overview

- Investors Title Company is a holding company that operates through its subsidiaries including Investors Title Insurance Company (ITIC) and National Investors Title Insurance Company (NITIC)
- The Company's primary business activity is the issuance of residential and commercial title insurance through ITIC and NITIC
  - It also provides tax-deferred real property exchange services, investment management and trust services to individuals, trusts and other entities and management services to title insurance agencies through its subsidiaries
- The Company became operational in 1976, when it acquired ITIC, which had been in operation since 1972 and in 1983, it acquired NITIC
- Founded:** 1973      **Employees:** 237 (2015)
- Headquarters:** Chapel Hill, NC

## Premiums Written by Geography



## Revenue by Segment



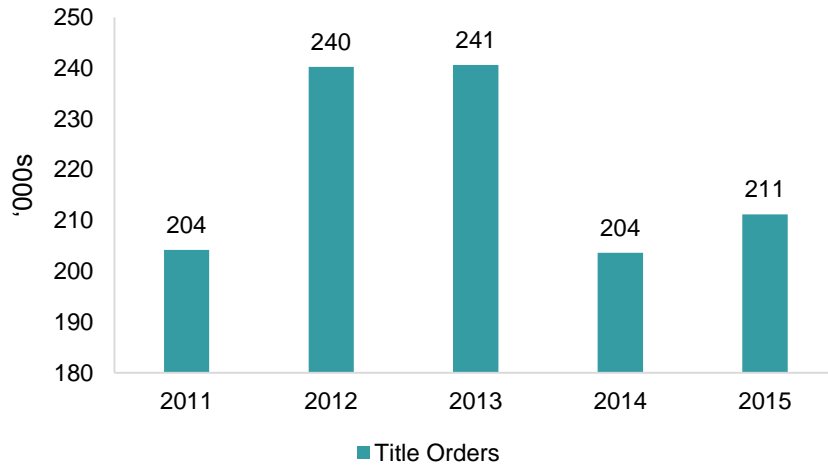
## Title Segment Financial Breakdown

(in \$ mm)	FY13	FY14	FY15
<b>Revenues:</b>			
Net premiums written	113.9	110.0	112.5
Others	12.4	13.2	14.7
<b>Total</b>	<b>126.3</b>	<b>123.1</b>	<b>127.2</b>
<b>Expenses:</b>			
Commissions to agents	67.2	65.6	62.2
Provision (benefit) for claims	(0.6)	5.2	4.5
Salaries, employee benefits and payroll taxes	25.4	25.2	28.0
Others	12.7	13.6	14.7
<b>Total</b>	<b>104.7</b>	<b>109.6</b>	<b>109.4</b>
<b>Income before income taxes</b>	<b>21.5</b>	<b>13.5</b>	<b>17.8</b>
<b>Margins</b>	<b>17.1%</b>	<b>11.0%</b>	<b>14.0%</b>

Source: Bloomberg, Company Financials, Company Website

# Financial Overview

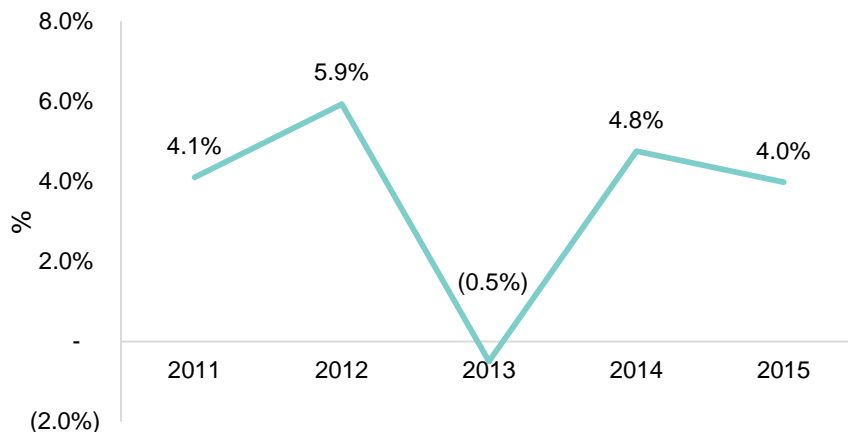
## Title Orders



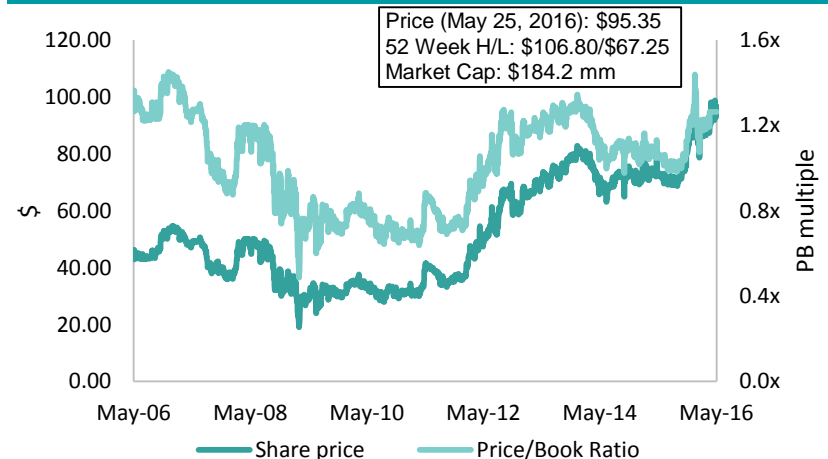
## Financial Overview

(In \$ mm)	FY12	FY13	FY14	FY15
Revenues	115.1	126.3	123.1	127.2
<i>Growth</i>	26.9%	9.7%	(2.5%)	3.3%
EBITDA	17.0	22.7	15.0	19.6
<i>Margin</i>	14.8%	18.0%	12.1%	15.4%
Net Profit	11.1	14.7	9.6	12.5
<i>Margin</i>	9.6%	11.6%	7.8%	9.9%
Debt	-	-	-	-
Debt / EBITDA	NM	NM	NM	NM
Capex	(0.6)	(1.4)	(2.0)	(2.7)
Total Assets	171.9	188.3	198.0	211.5
Total Equity	115.1	128.6	137.6	142.8

## Loss Ratio



## Share Price Performance

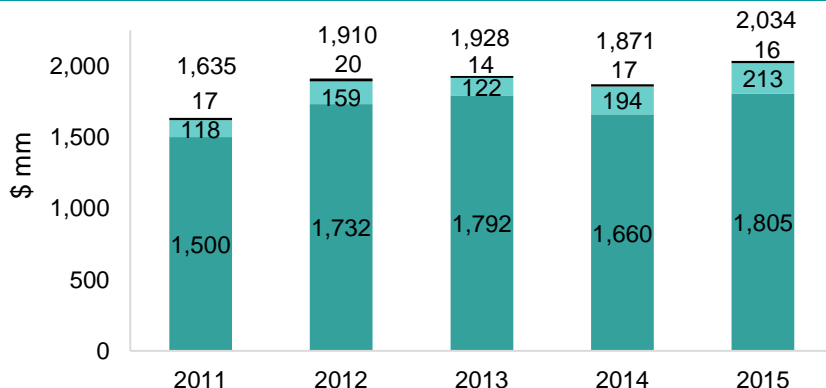


Source: Bloomberg, Company Financials, Company Website

## Overview

- Stewart Information Services Corporation is a global real estate services company, which offers products and services through its direct operations, network of Stewart Trusted Providers and family of companies
- Its solutions and services include residential and commercial title insurance, closing and settlement services, and specialized offerings for the mortgage industry
- Stewart also provides loan origination and servicing support, loan review services, Real Estate Owned (REO) asset management, due diligence for capital markets, home and personal insurance services, tax-deferred exchanges, and technology to streamline the real estate process
- The Company has international operations in Canada, UK, Central Europe, Latin America and Australia
- **Founded:** 1893      **Employees:** 6,900 (2015)
- **Headquarters:** Houston, TX

## Revenue by Segment



■ Title insurance and related services ■ Mortgage services ■ Corporate

Source: Bloomberg, Company Financials, Company Website

## Recent News

- **December 3<sup>rd</sup>, 2015:** Stewart Title, the underwriter for The Company's transactions in the UK, Europe and Australia, announced that it is providing Donazione Facile, an insurance product for Italy that facilitates the transfer and commercialisation of donated properties
- **April 2<sup>nd</sup>, 2015:** The Company announced the appointment of Brad Rable as Chief Information Officer (CIO) and will lead the Company's information technology vision, strategy and execution

## Title Segment Financial Breakdown

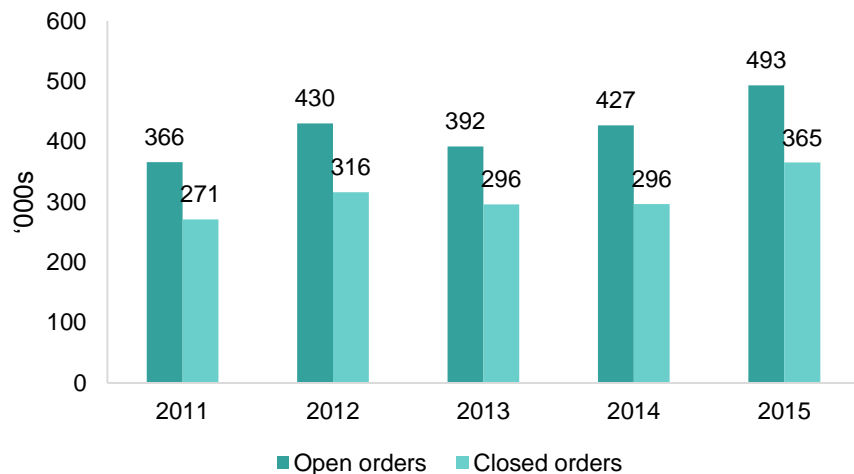
(in \$ mm)	FY13	FY14	FY15
<b>Revenues:</b>			
Title insurance:			
Direct operations	763.6	808.3	897.1
Agency operations	1,046.4	906.1	991.3
Mortgage services	103.5	132.9	130.0
Other	14.4	23.6	15.5
<b>Total</b>	<b>1,928.0</b>	<b>1,870.8</b>	<b>2,033.9</b>
<b>Expenses:</b>			
Amounts retained by agencies	848.4	738.6	809.6
Employee costs	571.0	624.3	658.3
Other operating expenses	280.3	347.3	382.0
Title losses and related claims	106.3	81.3	106.3
Depreciation and amortization	17.9	24.2	30.3
Interest	3.0	3.2	2.1
<b>Total</b>	<b>1,826.9</b>	<b>1,819.0</b>	<b>1,988.4</b>
<b>Income before income taxes</b>	<b>101.1</b>	<b>51.8</b>	<b>45.4</b>
<b>Margins</b>	<b>5.2%</b>	<b>2.8%</b>	<b>2.2%</b>



# Financial Overview



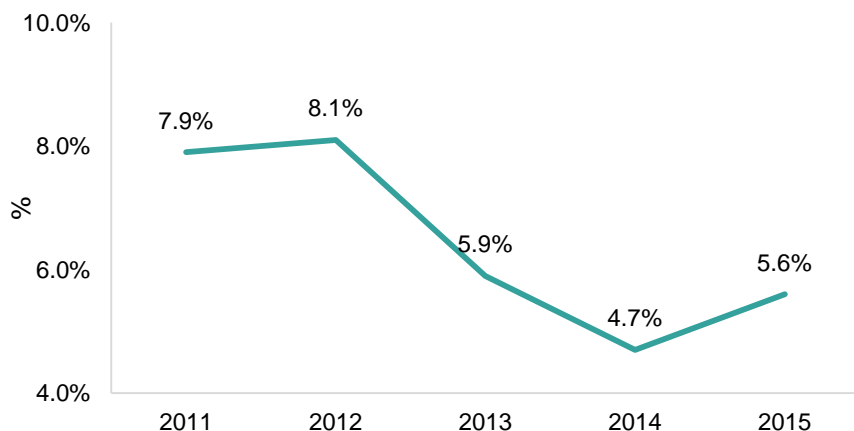
## Open and Closed Orders



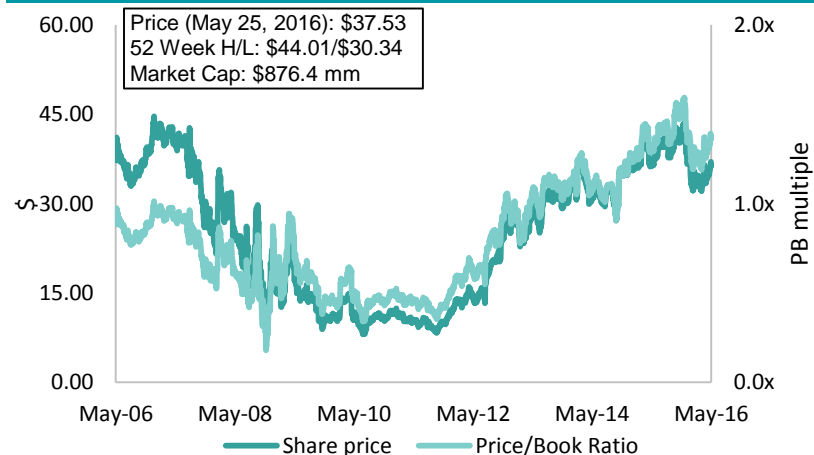
## Financial Overview

(In \$ mm)	FY12	FY13	FY14	FY15
Revenues	1,902.8	1,929.0	1,864.1	2,035.3
<i>Growth</i>	16.6%	1.4%	(3.4%)	9.2%
EBITDA	104.8	123.0	107.5	129.6
<i>Margin</i>	5.5%	6.4%	5.8%	6.4%
Net Profit	109.2	63.0	29.8	(6.2)
<i>Margin</i>	5.7%	3.3%	1.6%	(0.3%)
Debt	71.2	32.9	65.6	102.4
Debt / EBITDA	0.7x	0.3x	0.6x	0.8x
Capex	16.8	17.3	19.5	19.7
Total Assets	1,291.8	1,326.1	1,392.5	1,321.6
Total Equity	580.4	663.1	700.5	637.1

## Loss Ratio



## Share Price Performance



Source: Bloomberg, Company Financials, Company Website