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FAF - First American Financial Corp Annual Shareholders Meeting

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MAY 05, 2020 / 8:00PM, FAF - First American Financial Corp Annual Shareholders Meeting

CORPORATE PARTICIPANTS

Greg Smith

Parker Steven Kennedy *First American Financial Corporation - Independent Chairman of the Board*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the First American Financial Corporation Stockholder Meeting.

I will now turn the meeting over to Mr. Parker Kennedy, Chairman of the Board of Directors. Please go ahead, sir.

Parker Steven Kennedy - *First American Financial Corporation - Independent Chairman of the Board*

Thank you. Good afternoon, and welcome to the Annual Meeting of the Stockholders of First American Financial Corporation. I am Parker Kennedy, Chairman of the Board of Directors. We appreciate your attendance and your support of First American. As the coronavirus pandemic continues to evolve, we at First American, remain committed to supporting the health and safety of our employees, customers and the communities in which we operate. This commitment extends to our stockholders as well, which is why we are hosting our first virtual annual meeting. We hope that you are safe and that our decision to eliminate an in-person meeting shows our commitment to your well-being.

Please note that this meeting is being recorded, and the recording will be made available on our website. However, no one attending via the website or the webcast is permitted to record or capture all or any portion of the meeting. At this time, I am pleased to call the meeting to order.

After dealing with a few procedural matters and introducing the directors and some of the officers in attendance, we will take up the items to be acted upon. Polls are currently open and will remain open for approximately the next 5 to 10 minutes. If you have not already voted or if you wish to change your vote, you may do so by following the instructions on the virtual annual meeting website. If you previously voted by proxy through the mail or by telephone or the Internet, you do not need to vote today unless you wish to change your vote.

The agenda for the meeting and the rules of conduct for the meeting are displayed on the virtual annual meeting website. To conduct an orderly meeting, we ask that participants abide by these rules. As stated in these rules, remarks made during the meeting should be limited to matters on the agenda. As is our custom, we will answer general questions at the end of the meeting. Please submit any questions in the space provided on the virtual annual meeting website. Questions must abide by the rules of conduct, only stockholders logged in with a control number will be able to ask questions. Thank you for your cooperation.

And now I'd like to introduce the other members of the Board in attendance at today's meeting. Dr. Jim Doti is a professor of Economics at Chapman University. For many years, he served his Chapman University's President. He has been a Director since 2010, and he served as a Director of the First American Corporation from 1993 to 2010.

Dennis Gilmore is our Chief Executive Officer. He has been a Director since 2010. Reggie Gilyard, a senior adviser with The Boston Consulting Group. He is a former Dean of the Argyros School of Business and Economics at Chapman University. He has been a Director since 2017. He is also a Director of CBRE Group, Inc. in a commercial real estate and investment firm and Realty Income Corporation, a real estate investment trust.

Meg McCarthy recently retired as Executive Vice President of CVS Health Corporation after its merger with Aetna Inc. She has been a Director since 2015. She is also a Director of Brighthouse Financial, Inc., a life and annuity insurance company; Marriott International, Inc., an operator, franchisor and licensor of hotel, residential and timeshare properties worldwide and American Electric Power, an electrical energy company.

Mike McKee is a principle of the Contrarian Group, a private equity firm. He has been a Director since 2,000 and he is the Chairman of Realty Income Corporation, a real estate investment trust and the Tiger Woods Foundation.



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Tom McKernan is Vice President -- as Vice Chair of the Board of AAA, Auto Club Enterprises and Automobile Club of Southern California. He served as the Chief Executive Officer of Auto Club for many years. He has been a Director since 2011. He also serves as a Director at Payden & Rygel Investment Group and as trustee of certain funds associated with it.

Mark Oman is a venture capitalist and retired executive of Wells Fargo & Company. He has been a director since 2013.

Martha Wyrsh retired in 2019 as Executive Vice President and General Counsel for Sempra Energy. She has been a director since 2018. She currently serves on the Board of Directors of Spectris plc, a publicly traded company listed on the London Stock Exchange; Noble Energy, Inc., an energy exploration and production company; and Qanta Services, Inc., a specialized contracting services company.

Also attending this meeting is Bob Gum, a partner at PricewaterhouseCoopers, our independent auditors. Bob is available to respond to appropriate questions during the general question-and-answer period.

Greg Smith, Vice President and Corporate Secretary will act as secretary of the meeting. I would like to instruct Greg to file the affidavit of mailing of notice of this meeting with the minutes.

Daniel Luffler, who is with Equiniti, shareowner services, our stock transfer agent is the inspector of elections for this meeting. Dan is on the line, and I ask Dan to please make any needed corrections. Dan reported that we have received proxies sufficient to have a quorum present for the purpose of transacting business.

There are 4 items on the agenda for this meeting. First is the election of Class 1 directors. The Board of Directors has nominated James Doti, Michael Mckee and Thomas McKernan to serve as Class 1 directors for a 3-year term expiring on the date of the 2023 annual meeting of Stockholders. The Board of Directors recommends that you vote for each of these Class 1 director nominees.

The second item of business is the approval on an advisory basis of the compensation of the company's named executive officers as disclosed in the proxy materials for this meeting. Board of Directors recommends that you vote for this resolution.

The third item of business is the approval of the company's 2020 incentive compensation plan as discussed -- as disclosed in the proxy materials for this meeting. The Board of Directors recommends that you vote for this resolution.

The fourth item of business is the ratification of PricewaterhouseCoopers as the company's independent accounting firm for 2020. The Board of Directors recommends that you vote for this proposal.

Greg, are there any questions?

Greg Smith

Not at this time.

Parker Steven Kennedy - *First American Financial Corporation - Independent Chairman of the Board*

Okay. The polls have been open since the beginning of the meeting and will remain open for another minute or so. If you have not already voted or if you wish to change your vote, you may do so by following the instructions on the virtual annual meeting website. If you previously voted by proxy through the mail or through the telephone or the Internet, you do not need to vote today unless you wish to change your vote. We will wait for a moment to allow for the submission of any final votes.

(Voting)



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Parker Steven Kennedy - *First American Financial Corporation - Independent Chairman of the Board*

Okay. Now that everyone has had the opportunity to vote, I'll declare the polls closed. The inspector of elections has provided the preliminary results of the voting, the preliminary vote report shows that the 3 nominations or the 3 nominees presented have been elected as Class 1 directors. The executive compensation is approved. The company's 2020 incentive compensation plan is approved. And PricewaterhouseCoopers has been ratified as the company's independent accounting firm for 2020.

Thank you to all stockholders for your continued support of our company. Since we have accomplished all of the official business, I will announce that the meeting is now adjourned. After my brief remarks, we will answer questions. Please submit now any additional questions in the space provided on the virtual annual meeting website. At the conclusion of my remarks, we will close the web meeting portal for questions, and we will answer those questions that conform to the rules of conduct for the meeting.

Earnings during the first quarter of 2020 were very good. The pretax margin in our Title Insurance segment was 10.3%, excluding net realized investment losses, and that's very good for any quarter, but especially strong for the first quarter of the year. Commercial and residential closings were robust, and our refi closings were expertly good driven by a 144% increase in refi closings when compared to Q1 of 2019.

The second quarter will see the business impact of the virus, but we are confident that we will meet the challenge. We think resale orders in the second quarter will decline 45%, and commercial revenues will decline in the 50% range. However, we project that refi orders will continue to be strong through the end of the year. We have increased our claims provision by 100 basis points from 4% to 5%, reflecting a degree of uncertainty regarding the effect of the current economy on our claims experienced.

Using this and other assumptions, we expect Title pretax margins to be between 9% and 11% in 2020, excluding net realized investment gains and losses. We recently committed that we will not make any layoffs through the end of the second quarter, a reflection of our appreciation for and dependence on our employees. They are the very best in the business. We've been able to serve our customers well.

We've experienced only minor disruptions in service levels when the stay-at-home orders began, but those issues were quickly resolved. One big reason for this has been the innovation in our systems that has taken place over the last several years. Our productivity has been remarkable. Our Docutech acquisition has performed very well and is already an important part of our future. And we once again were listed on the Fortune 100 Best Places to Work with. We look forward with confidence.

The web meeting portal is now closed for questions.

Greg Smith

Mr. Chairman, we did not receive any questions.

Parker Steven Kennedy - *First American Financial Corporation - Independent Chairman of the Board*

Okay. Being informed that there are no further questions, I want to thank you for your participation in our meeting day. Please stay safe. We will now close the web meeting portal.

Operator

Ladies and gentlemen, this concludes today's meeting. Thank you for participating. You may now disconnect.



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