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FAF - Q4 2016 First American Financial Corp Earnings Call

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PRESENTATION

Operator

Greetings and welcome to the First American Financial Corporation fourth-quarter earnings conference call.

(Operator Instructions)

A copy of today's press release is available on First American's website at www.firstam.com/investor. Please note that the call is being recorded and will be available for replay from the Company's investor website and for a short time by dialing 877-660-6853 or 201-612-7415 and enter the conference ID 13652922.

We will now turn the call over to Craig Barberio, Vice President of Investor Relations, to make introductory statement.

Craig Barberio - *First American Financial Corporation - VP of IR*

Good morning, everyone, and welcome to our 2016 fourth-quarter and year-end earnings conference call. On today's call you will be hearing from our Chief Executive Officer, Dennis Gilmore; and Mark Seaton, Executive Vice President and Chief Financial Officer.

Some of the statements made today may contain forward-looking statements that do not relate strictly to historical or current fact. These forward-looking statements speak only as of the date they are made and the Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date these forward-looking statements are made.

Risks and uncertainties exist may cause results to differ materially from those set forth in these forward-looking statements. For more information on these risks and uncertainties, please refer to today's earnings release and the risk factors discussed in our form 10-K and in subsequent SEC filings.

Our presentation today also contains certain non-GAAP financial measures that we believe provide additional insight into the Company's operational efficiency and performance relative to prior periods and relative to the Company's competitors. For more details on these non-GAAP financial



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measures, including presentation with and reconciliation to, the most directly comparable GAAP financial measures, please refer to today's earnings release which is available on our website at www.firstam.com. With that, I'll now turn the call over to Dennis Gilmore.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thanks, Craig. Good morning and thank you for joining our call. I'll begin with a review of 2016, followed by our fourth-quarter highlights and conclude with a few comments regarding our outlook for 2017.

The Company's 2016 performance was strong. Our earnings per share rose 18% to \$3.09. Total revenues were up 8%, driven by growth in our purchase and refinance businesses. Purchase revenue was up 6%, as the housing market continues to improve.

Our refinance revenues increased 21% due to declining mortgage rates. Our commercial business declined by 5% and finished with the second-strongest year on record. Throughout 2016, we continued to manage our expenses effectively, achieving a success ratio of 65% for our title segment.

Our title business delivered an 11.7% pretax margin for the year, a record for the Company and at the high end of our objective of 10% to 12%. The Company's return on equity improved to nearly 12%, also at the upper end of our stated objective.

During 2016, we acquired a number of companies, including Forsythe Appraisals, RedVision, and TD Service. These acquisitions served to strengthen our core title and settlement business and enhanced what solutions we offer our customers. In addition, each of these acquisitions leverage our industry-leading property data to drive operating efficiencies and improve quality.

With regards to capital management, in August we raised our quarterly dividend by 31%, demonstrating our ongoing commitment to return capital to shareholders. We closed 2016 with a strong balance sheet and capital position and we continue to have significant financial flexibility to deploy capital in ways that create shareholder value.

Turning to the fourth quarter, earnings per share were \$0.73. The quarter's results include \$0.39 loss due to the first phase of our termination of our pension plan and a \$0.20 benefit for certain tax items. Mark will explain both of these in greater detail.

During the quarter our closed orders per day were up 26% compared to last year, driven by a 58% increase in refinance closings and our purchase closings were up 4%. In our commercial business, revenues were down 10% in the quarter compared to the record-setting fourth quarter of 2015. Total closed orders were down 2% from last year and the average fee declined by 8%. The decline in revenue was driven primarily by fewer large deals.

Revenue in our specialty insurance segment grew by 18% during the quarter. The segment's loss declined to 55%, down from last year's 59% due to fewer weather-related events in property and casualty. I'm also encouraged by home warranty's improving results and we remain focused on continuing to implement operational improvements ahead of our seasonally high claim periods in the second and third quarters.

Turning to the market outlook, the recent increase in interest rates has significantly reduced our refinance volumes. After peaking last July at 2,700 open orders per day, our refinance volumes have declined to approximately 1,200 orders per day in January. And so far in February, refinance orders are holding steady at around this level. We have made and we will continue to make adjustments to our cost structure in response to lower refinance orders.

We believe the purchase market will continue to strengthen in 2017. We also believe that the commercial market is poised for another strong year. However, we expect to see a modest decline in revenue as the commercial market continues to normalize.

We expect the Company to benefit from continued improvements in the housing economy and the economy in general. We are also optimistic about the Company's strategic direction and performance in 2017 and the years ahead.



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In closing, we are proud of what we have accomplished in 2016, and I would like to thank the many dedicated employees of First American for their contributions that have helped make 2016 a very successful year. I'd now like to turn the call over to Mark for a more detailed review of our financial results.

Mark Seaton - *First American Financial Corporation - EVP & CFO*

Thank you, Dennis. Total revenue in the fourth quarter was \$1.5 billion, up 11% compared with the fourth quarter of 2015. Net income was \$81 million, or \$0.73 per diluted share. The current quarter results include \$66.3 million or \$0.39 per diluted share for the first phase of the Company's pension termination, and a benefit of \$22 million or \$0.20 per diluted share, largely due to the release of reserves for uncertain tax positions from 2005 to 2009.

In the title insurance and services segment, direct premium and escrow fees were up 8% compared with last year. This increase was driven by a 24% increase in the number of orders closed, partially offset by a 12% decrease in the average revenue per order. The average revenue per order decrease to \$1,958 due to a shift in the mix to lower premium refinance transactions. The average revenue per order increased 7% for purchase transactions and 4% for refinance transactions, while commercial declined by 8%.

Agent premiums were up 9%, reflecting the normal reporting lag of agent revenues of approximately one quarter. The agent split was 78.7% of agent premiums.

Information and other revenues totaled \$189 million, up 17% compared with last year. The increase was driven by the recent acquisitions of Forsythe Appraisals, RedVision and TD Service which contributed \$27 million to revenue this quarter.

Personnel costs were \$424 million, up 11% from the prior year. The increases was primarily due to the impact of recent acquisitions and higher incentive-based compensation and employee benefit costs as compared with last year. Other operating expenses were \$205 million, up 14% from last year. The increase was primarily attributable to recent acquisitions and higher production-related costs due to higher order volumes. The ratio of personnel and other operating expenses to net operating revenue was 73.4% compared with 72.1% last year.

The provision for title policy losses and other claims was \$64 million, or 5.5% of title premiums and escrow fees, compared with a loss provision rate of 6.5% in the same quarter of the prior year. Pretax income for the title insurance and services segment was \$150 million in the fourth quarter compared with \$129 million in the fourth quarter of 2015. Pretax margin was 10.8% compared with 10.3% last year.

Turning to the specialty insurance segment, total revenues were \$119 million, up 18% compared with last year. Beginning in the fourth quarter of 2016, the Company began reporting installment fees in the home warranty business as revenues rather than as a reduction in expense. As a result, fourth-quarter revenues increased by \$7.5 million for installment fees for the full year of 2016.

The loss ratio in the specialty insurance segment this quarter was 55%, down from 59% in the prior year. The loss ratio in the property and casualty business improved, primarily due to the decline in large loss events relative to the fourth quarter of 2015. In addition, the loss ratio in the home warranty business has stabilized this quarter.

Earnings in the specialty insurance segment benefited from \$3.5 million in additional deferred acquisition costs related to the reclassification of installment fees discussed earlier. Pretax margin in the current quarter was 18% compared with 10% in the fourth quarter of last year.

Net expenses in the corporate segment were \$90 million. Included in the corporate segment is \$66.3 million of personnel expenses related to the pension termination. Excluding this amount, corporate expenses were line with where we have been historically.

The effective tax rate for the quarter was 0.6%. This quarter we recorded a benefit of \$22 million, largely related to the release of reserves for uncertain tax positions pertaining to tax years 2005 through 2009. Excluding these items, our effective tax rate would have been lower than our normalized tax rate of 34%, due to certain year-end adjustments in our foreign operations.



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In May of 2016 we announced the termination of our pension plan. Given the legacy nature of the plan and the uncertainty of future interest rates, investment returns and other factors, the pension plan was terminated. The plan termination is proceeding on schedule with expected completion in the first half 2017.

Settlement of lump-sum elections were completed in the fourth quarter of 2016 and the Company expects to transfer the remaining liabilities to one or more insurance companies through the purchase of group annuity contracts in the first half of 2017. A \$66.3 million expense was recorded related to the settlement of lump-sum elections in the fourth quarter of 2016, which reduced earnings per share by \$0.39.

As of December 31, net unrealized losses of \$154 million related to the pension plan were reflected on the balance sheet within stockholders' equity. These net unrealized losses, while subject to change, are expected to be recognized in the Company's consolidated income statement during the first half of 2017 upon the transfer of the remaining pension liabilities. Because these net unrealized losses are already reflected on the balance sheet, they will not impact stockholders' equity when they are realized.

The total impact from the recognition of unrealized losses related to the pension termination of the Company's earnings is consistent with the estimates provided last May, although a greater percentage of the losses will now occur in 2017. Last May we estimated that terminating the pension plan would require approximately \$100 million in cash contributions in addition to scheduled payments. We funded \$85 million in 2016 and currently expect another \$23 million to be paid in first half of 2017. Once the termination process is complete, we estimate an annual reduction of approximately \$22 million in personnel expenses within the corporate segment based on these level of expenses in 2016.

Debt on our balance sheet totaled \$737 million as of December 31. Our debt consists of \$546 million of senior notes, \$160 million on our credit facility, \$27 million of trustee notes and \$4 million of other notes and obligations. Our debt-to-capital ratio as of December 31 was 19.6%, at the higher end of our 18% to 20% target range. We have \$540 million remaining on our \$700 million revolving credit facility.

In terms of cash flow, cash provided by operations was \$237 million. Included in the current quarter's operating cash flow was a \$35 million payment related to pension obligations, as well as an unrelated \$36 million cash tax benefit.

I would now like to turn the call back over to the operator to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeremy Campbell, Barclays.

Jeremy Campbell - Barclays Capital - Analyst

Hey, thanks. Pretax title margins were only up about 20 basis points year over year, after you adjust for the realized losses for both periods, which is pretty muted when you consider there was a 100 basis point reduction year over year in the provision rate, a 10% increase in net operating revenue, and that last year had TRID expenses that were in the P&L.

So when you think about the success ratio, I would've thought it would have been a starting point was quite a bit lower because of TRID from last year. So when you look at this past quarter, what happened with regard to expenses? Was at all acquisitions or were underlying title expenses also a little higher than normal?



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Mark Seaton - *First American Financial Corporation - EVP & CFO*

I don't think there was anything unusual this quarter with respect to our expenses and our title settlement. We did a little bit of a 401(k) true-up that was about \$4 million, which we don't think was material. We look at our success ratio for the quarter and it was 86%, which as you know is higher than what we would like to be. We're trying to target less than 60.

But some of it was because of the acquisitions we have done. When the acquisitions come in, it alters the success ratio. But if you exclude acquisitions we were at 75%, which is still a little bit higher than where we want to be. But for the full year, I think we are happy with where our expenses are.

Our success ratio for the full year, excluding acquisitions, was 48% which is a really, really good outcome for us. But to answer the question, there was nothing really extraordinary of expenses in Q4.

Jeremy Campbell - *Barclays Capital - Analyst*

Okay. And then I know you said there was \$27 million of acquisition-related revenue embedded in the P&L, what about expenses?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

I would say that most of the value of the acquisitions closed really right at the end of third quarter and really at the very beginning of the fourth quarter. So we really had three months of revenue.

I would say there's really been a negligible effect to earnings in the fourth quarter. I would say that we are really happy with the way these deals are being integrated so far, so we will have more to report in the future, but I would say negligible effect.

Dennis Gilmore - *First American Financial Corporation - CEO*

This is Dennis. I would only add that the acquisitions came in later in the year and we're at the early stages of the integration, so they were dilutive from a margin perspective in the fourth quarter.

Jeremy Campbell - *Barclays Capital - Analyst*

Got it. And then a competitor of yours recently took their provision rate down from 5.5% to 5%. I know on past calls you guys had alluded to possibly something similar happening. What's your outlook on provision rate for the upcoming year and could we expect a magnitude similar to what your competitor pursued?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

I think the answer to that question is yes. We've been booking at 5.5% all year. The last couple quarters on these calls we have talked about the possibility of lowering the rate in 2017, and as we sit here today, I think we feel more strongly about that than ever.

I think our claims are coming in lower than expectations. I'm not sure on the timing of bringing the loss rate down. It could happen Q1, Q2, we will have to wait and see how claims come in. But we think that there's -- certainly more likely than not that we'll bring the loss rate down somewhere around 50 basis points, plus or minus, in the short term here.



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Jeremy Campbell - *Barclays Capital - Analyst*

Great. And then finally, Dennis, I know you mentioned that your expectation for commercial will be down modestly in 2017. Would you characterize this year as like 5% year-over-year reduction as a modest decrease or something more than modest?

Dennis Gilmore - *First American Financial Corporation - CEO*

I consider 2016 as modest. We step back and look at commercial, 2016 was actually a very good year for us. The really only difference between 2016 and 2015 was the velocity of large deals. They're always lumpy.

And then the fourth quarter, we actually had a couple lumpy deals that moved into the first quarter. So I think 2017 is going to be another very good year for us commercial. And really consistent with what I've been saying now for over two years, I think the market peaked in 2015, probably normalizing now in 2016 and 2017. But again, I think 2017 is going to be very good year for us.

Jeremy Campbell - *Barclays Capital - Analyst*

Great. Thanks a lot, guys.

Operator

John Campbell, Stephens Inc.

John Campbell - *Stephens Inc. - Analyst*

Hey, guys. Wanted to go right back to commercial real fast. Dennis, you said you're expecting it to be a pretty good year. I'm not trying to split hairs here, but would you be pretty satisfied with a flattish year-over-year result or is that a little bit too optimistic?

Dennis Gilmore - *First American Financial Corporation - CEO*

I think that's probably a little optimistic. But again, it's really going to be driven by the number and velocity of the large deals. 2016 we had fewer large deals than we had in 2015 and that impacts the revenue base. So if we see a pickup in large deals, then it could be better. But again, we're predicting flattish, downish, a little bit like we saw in 2016 going into 2017.

John Campbell - *Stephens Inc. - Analyst*

Okay, that's helpful. And then a little bit more color on what you're seeing out there. If you look at Fidelity's local commercial business, it was faring much better than the national side, which is typically the larger deals.

And then I think Stewart's got a little bit more exposure to the mom and pop or local markets and not as much in some of the larger markets. Can you talk about what you guys are seeing as far as smaller versus larger deals or national versus local?

Dennis Gilmore - *First American Financial Corporation - CEO*

Actually local is up a little. Again, the only real difference you're seeing in the book right now between 2015 and 2016 is the number of large deals, which if you go back and you look at them over a number of years, large deals are always lumpy. They come in in a lumpy manner. Again, I'm going to say I think 2017 will be another strong year for the commercial business.



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John Campbell - *Stephens Inc. - Analyst*

Okay, that's helpful. And then you guys have talked about the 10% to 12% title pretax margin. If you look at the market, the forecast for 2018 and 2019, it looked like it's going to be kind of close to that normalized range we have all talked about in the past. Do you guys feel like you can be at the higher end of that range over the next year or two?

Dennis Gilmore - *First American Financial Corporation - CEO*

I don't know if we're going to be at the higher or lower end of the range, but how we're looking at the year right now, 2017, is we think that's an absolutely appropriate range for us. Even with the headwinds we are facing in refinance, we think the commercial again is going to be strong, we think purchase is going to be strong. So we think the range is appropriate for 2017 right now.

John Campbell - *Stephens Inc. - Analyst*

Okay. And then last one. On the effective tax rate, 34% is a good run rate going forward?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

Yes, that is a good run rate.

John Campbell - *Stephens Inc. - Analyst*

Okay, thanks, guys.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thank you.

Operator

Jason Deleeuw, Piper Jaffray.

Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

Thank you and good morning. And just one more on commercial from me. With the fear of larger deals or seeing fewer larger deals, is that with interest rates backing up? Or is it more deal-specific? The macro environment, the back-drop seems to be a little bit better, at least the outlook. So I'm wondering if there's anything that you see that's driving the deal flow on the larger deals or is it deal-specific?

Dennis Gilmore - *First American Financial Corporation - CEO*

I would say it's deal-specific. The one area that's been a little slow over the years has been New York, the big mega-deals coming out of New York. Again, it's just the nature of that business. It will be lumpy on a year-over-year basis.



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Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

Got it. Thanks for that. And then on the January open orders for purchase, unless I missed that, I don't think we got that. Do you have an update on the open orders for January on the purchase side?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

Yes. January open orders purchase are at 1,700 day, which is basically flat from where we were in January of 2016.

Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

Got it. Thanks for that. And then on the agent channel, the M&A, is that still -- update us on your thoughts there. Is that still part of the strategy? Do you still see opportunities for title agents?

Dennis Gilmore - *First American Financial Corporation - CEO*

This is Dennis. Yes, we do. That's been a consistent strategy of ours for many, many years. We continue to look to add to our direct footprint through acquisitions of agents in the top states. Looking a lot of deals, have been looking at a lot of deals. The issue for us which is very disciplined in what we'll pay for these transactions. We need to make sure we can get a return out of the acquisition.

Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

All right. Thank you very much.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thank you.

Operator

Chris Gamaitoni, Autonomous Research.

Chris Gamaitoni - *Autonomous Research LLP - Analyst*

Good morning, thanks for taking my call. I know it's early in the acquisitions, can you give us -- and you said in the fourth quarter it was dilutive to the margin. Can you give view of what you think the impact on the margin is after you fully integrate and the pace at which we get there?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

Yes. The acquisitions that we've done are, I would say, the margins of them are at least as high as our 11% title margins. We bring on the deals, initially there's a lot of integration, there's a lot of one-time costs. And those one-time costs were reflected in the fourth quarter. And so it's going to take us about 12 to 18 months to fully integrate them, but once we do that, we think they'll be margins similar to where our overall title company margins are.



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Dennis Gilmore - *First American Financial Corporation - CEO*

Chris, I'd only add -- this is Dennis, I would only add that we try to get the bulk of our integrations done in 12 months.

Chris Gamaitoni - *Autonomous Research LLP - Analyst*

Okay. And then do you have any -- the flattish purchase open orders year over year. It seems the market is still ticking up 4% or 5%. Do you have any thoughts on why the macro numbers are little bit better than what you are reporting?

Dennis Gilmore - *First American Financial Corporation - CEO*

No, there's nothing unique going on. I think that's probably just where we're distributing through our directs. You have to be very careful in the first quarter, any kind of weather events can sway your numbers, those kind of things. But when we step back, we're looking for a good purchase market in 2017. We're looking for a nice continued upward move in that market and all our signs we're looking at now say that will be a possibility.

Chris Gamaitoni - *Autonomous Research LLP - Analyst*

Okay, thanks for taking my calls.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thank you.

Operator

Kevin Kaczmarek, Zelman.

Kevin Kaczmarek - *Zelman & Associates - Analyst*

Within the information and data business, your non-compete with CoreLogic ended on bulk data sales. How much has this helped the data business? Or how big is the market opportunity here?

Dennis Gilmore - *First American Financial Corporation - CEO*

Well, Kevin, I am not sure what you're referencing. We don't have a non-compete on bulk data to start with. It's not a significant piece of business. Our data businesses are oriented around continuing to drive value and efficiencies out of our title company.

That's our main effort, so we can produce our products cheaper and lower risk profile, so that's number one. But then number two, we do sell our data back to lenders through either products or services, or it could be a bulk sale. The primary focus is driving efficiencies in our title company out of the data businesses.

Kevin Kaczmarek - *Zelman & Associates - Analyst*

Okay. Within that line item, how much revenue is still tied to default there?



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Mark Seaton - *First American Financial Corporation - EVP & CFO*

In the fourth quarter, we had about \$189 million of revenue in information and other. And about \$13 million of it was default-related. So really a small percentage at this point.

Dennis Gilmore - *First American Financial Corporation - CEO*

Yes, and, Kevin, that stabilized a number of quarters ago.

Kevin Kaczmarek - *Zelman & Associates - Analyst*

Okay. Moving to agent revenue growth, it's been a bit higher on a year-over-year basis than the previous quarter's direct business. Looking at the refi volumes, maybe they have less exposure to refi, so I would expect it to lag. But is maybe commercial playing a bigger role? Maybe they have a greater exposure to smaller commercial deals? Is that why agent growth is stronger? Can you give us some color there?

Dennis Gilmore - *First American Financial Corporation - CEO*

No, not really. We have signed some commercial agents, so that's helping us, but that's not the main thrust. The main thrust is we continue to look to sign high-quality agents and get a larger share of their wallet share. So we continue to pursue signing high-quality agents across the country where we can get the right returns from it.

Kevin Kaczmarek - *Zelman & Associates - Analyst*

All right, thank a lot. That's all I had.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thanks, Kevin.

Operator

Mark Hughes, SunTrust.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you, good morning. In the specialty insurance the normalization in loss ratio, is that extended into Q1? Is that something you think is pretty stable now, you've got that under control?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

I would say it's still a little bit elevated from where we would like it to be. It's really two components. Our property and casualty loss ratio is really a function of weather-related events. We had a lot of fires and one-time events last year, which we didn't have thankfully this quarter, so we really saw an improvement in our loss ratio in P&C simply because fewer weather-related events.



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Our loss ratio in home warranty is really -- it's still elevated, although it's stabilized, so it's basically flat from where we were last year. And there's things that we're doing operationally to reduce our cost per claim and other things. So I think over time we would expect to see the loss ratio drift down, but it's very seasonal, of course.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you.

Operator

(Operator Instructions)

Bose George, KBW.

Bose George - *Keefe, Bruyette & Woods, Inc. - Analyst*

Hey, guys, good morning. Just a follow-up to the earlier comments on the contributions from the acquisition. Is the revenue run rate in 4Q a reasonable run rate and you get to the margin by lowering the expenses going forward? Or what happens to the revenue side of that equation?

Mark Seaton - *First American Financial Corporation - EVP & CFO*

Thanks, Bose, this is Mark. I will start with that. The \$27 million is a good run rate going forward. I think that most the time when we look to buy companies, we look at the cost synergies, and so I think that's where most of the value is.

Although I think there are some unique cases where there's real reason to believe there will be revenue synergies. But I think it's safe to say that on the revenue side, the run rate's fully reflected in the fourth quarter, although certainly we can do better on expenses as we fully integrate them.

Bose George - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, great, thanks. In terms of -- can you talk about potential opportunities for more acquisitions until you fill out that business there, anything that's logical?

Dennis Gilmore - *First American Financial Corporation - CEO*

Sure. This is Dennis. Pretty consistent strategy now for a number of years. We're going to continue to look to buy title agencies in really the top states, if they make sense to us from a return perspective. We want to continue to build out our direct offices through agency acquisition, so that's been a consistent strategy for us.

And then we're going to continue to look to buy out data companies where they allow us to build out our public record databases. Again, our whole theme is to drive efficiencies in the title company and then also add or sell additional products and services to our lender customers. So wrap that up again, agencies and data companies that add products and services for our mortgage customers.

Bose George - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, thanks. And one on capital. After the dividend, in terms of uses of capital, is it mainly acquisitions or is there anything else we should think about?



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Mark Seaton - *First American Financial Corporation - EVP & CFO*

Yes. I would say that we raised the dividend 31% in August, and I think we feel very good about where our dividend is right now. I wouldn't expect another 30% increase anytime soon, so we're paying a very healthy dividend. And I think we're going to be very opportunistic with respect to acquisition opportunities that come our way and that's probably the most likely use of capital.

Bose George - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, thank you.

Dennis Gilmore - *First American Financial Corporation - CEO*

Thank you.

Operator

There are no additional questions at this time. That concludes this morning's call. We would like to remind listeners that today's call will be available for replay on the Company's website or by dialing 877-660-6853 or 201-612-7415 and enter the conference ID 13652922.

The Company would like to thank you for your participation. This concludes today's conference call. You may now disconnect.

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