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EDITED TRANSCRIPT

FAF.N - Q1 2026 First American Financial Corp Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings, and welcome to the First American Financial Corporation first quarter 2026 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 in for a short time by dialing (877) 660-6853 or (201) 612-7415 and by entering the conference ID 13759993.

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

Craig Barberio - *First American Financial Corp - Investor Relations*

Good morning, everyone, and again, welcome to First American's earnings conference call for the first quarter of 2026.

Joining us today on the call will be our Chief Executive Officer, Mark Seaton; and Matt Wajner, 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 the forward-looking statements are made.

Risks and uncertainties exist that 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 yesterday's earnings release and the risk factors discussed in our Form 10-K and subsequent SEC filings.

Our presentation today contains certain non-GAAP financial measures that we believe provide additional insight into the operational efficiency and performance of the company relative to earlier periods and relative to the company's competitors.

For more details on these non-GAAP financial measures, including presentation with and reconciliation to the most directly comparable GAAP financials, please refer to yesterday's earnings release, which is available on our website at www.firstam.com.

I'll now turn the call over to Mark Seaton.

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Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Thank you, Craig. We are pleased to report continued momentum in the first quarter, generating adjusted earnings per share of $1.33, a 58% increase from the prior year.

In Commercial, revenue grew 48%, achieving a record for a first quarter. Notably, we closed 20 orders, generating more than $1 million in premium, double the amount from last year.

In our National Commercial Services division, we are seeing broad-based strength with 9 of our 11 asset classes up year over year. Data centers remain a meaningful tailwind with revenue tied to this sector increasing 76% relative to last year.

We are also seeing strong activity in our Energy group, which grew 250% and was a top five asset class during the quarter. Residential purchase revenue continues to lag. We have been more bearish on the purchase market this year than most public forecasts, and that view is proving accurate as purchase revenue declined 4% year over year.

On the refinance side, we saw a modest benefit during the quarter when mortgage rates dipped into the low 6% range. While this provided some lift in the first quarter, volumes have since softened as rates have moved higher again.

Another key earnings driver is our bank, First American Trust, which continues to provide a steady stream of investment income. During Q1, average deposits totaled $6.8 billion, up 19% from last year. Growth has been driven by both commercial deposits and deposits from our -- outside of our captive title business.

During the quarter, 29% of deposits came from sources beyond our captive title business, including $1.4 billion from ServiceMac and an additional $300 million from 1031 exchange deposits.

Our agent banking strategy is also gaining traction with 284 agents currently banking with First American Trust, up 26% from last year. These balances are expected to grow as the market recovers.

The bank continues to serve as a countercyclical earnings driver with meaningful long-term growth potential as we expand servicing, 1031 Exchange, and agent banking deposits. Our primary strategic focus is to leverage AI across our business to amplify the talents of our team, better serve our customers, and strengthen our operational capabilities.

Over the past year, we launched an enterprise AI platform that helps product teams develop, govern, and deploy secure compliant AI systems. This platform is an internal system that will allow us to deploy products faster and at scale.

While we regularly discuss our two major enterprise initiatives, Endpoint and Sequoia, we are also seeing incremental gains across the company. One example is in our agency division, where we are deploying AI-driven tools that expand our quality control capacity by more than sixfold.

We have also introduced AI-assisted examination capabilities that reduce order processing time by roughly 30 minutes per file. Importantly, these examination capabilities are not confined to our internal operations. This quarter, we are extending these same AI-driven tools into AgentNet, our title agent-facing platform, leveraging our proprietary data, domain expertise, and proven production performance to deliver value to our customers.

AI-driven efficiency improvements like these not only enhance our operating leverage, allowing us to scale efficiently as volumes recover, but also provide revenue opportunities by enabling us to deliver new solutions to our clients. We are also redefining how we build software.

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Today, 25% of our engineers are trained in Agentic AI development and are moving from concept to production in weeks rather than months. Productivity will continue to improve as the rest of our product engineering teams complete training this quarter. The impact goes beyond speed.

Our teams are spending more time solving customer challenges and ensuring every investment drives real value. We are embracing this transformation and believe we are on the leading edge of our industry in adopting these capabilities.

Turning to Endpoint. We have outlined a plan to scale the platform across First American Title's local branch network by the end of 2027 and we remain on track.

Endpoint is live in Seattle, where we have opened around 310 orders and closed 150 orders on the new system. With each transaction, we continue to learn and improve. In this pilot, we have automated approximately 30% of the tasks required to close the transaction, allowing our people to focus more on customer-facing activities and complex issues.

These automation rates will only increase over time. We are expanding the Endpoint pilot this quarter to First American Title escrow officers across the state of Washington, an important milestone. We expect approximately 80% to 85% of our local branch network to be on Endpoint by the end of next year.

This represents a significant transformation, not just a technology rollout, but a standardization of workflows that shifts the nature of work from executing tasks to verifying them. The real value of AI lies not only in the tools themselves, but in how workflows evolve to fully leverage them.

While substantial work remains, we are confident and energized by the opportunities ahead. With Sequoia, we also continue to make strong progress.

As a reminder, Sequoia is our AI-powered title decisioning platform. We are currently live with refinance transactions in eight counties across California and Arizona in our direct division, where we have fully automated title decisioning 35% of the time.

The more complex challenge has been purchase transactions. And last month, we reached a key milestone by launching Sequoia for purchase transactions. Today, in three counties, we are automating title decisioning for 13% of purchase transactions instantly determining insurability at order open.

Over time, our automation rates will improve. And ultimately, we believe we can deliver instant title decisioning for 70% of purchase and 80% of refinance orders in markets that we have title plants.

This is made possible by our industry-leading title plant data, underwriting expertise and innovative technology. By the end of this year, we plan to expand Sequoia across California and Florida with a national rollout planned for 2027.

Looking ahead, we are optimistic about our earnings trajectory. Our commercial business remains strong. For the first three weeks in April, our opened commercial orders are down 4% relative to last year. But as we experienced this quarter, the fee per file matters more in commercial than the number of orders.

And given our strong pipeline of sizable commercial transactions, we still believe 2026 will be a record year in our commercial business. On the purchase market, we remain more cautious than the consensus view.

So far in April, open purchase orders are down 3% as the sluggish home sale trend continues. While the residential market remains at trough levels, we are focused on rolling out our new AI-powered title and escrow platforms, which will provide greater operating leverage when the market recovers.

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From a capital management perspective, we continue to deploy earnings into opportunities with the most attractive risk-adjusted returns. We are taking a disciplined approach to acquisitions, focusing on the right partners rather than growth for its own sake.

As our stock has pulled back, while our earnings and outlook have strengthened, we have taken the opportunity to repurchase shares. Matt will discuss our financial results and capital management in more detail. And with that, I'll turn the call over to him.

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

Thank you, Mark. This quarter, we generated GAAP earnings of $1.21 per diluted share. Our adjusted earnings, which exclude the impact of net investment losses and purchase-related intangible amortization were $1.33 per diluted share.

Focusing on the Title segment, adjusted revenue was $1.7 billion, up 17% compared with the same quarter of 2025. Looking at the components of title revenue, we saw strong growth in commercial and refinance, partially offset by weakness in purchase.

Commercial revenue was $271 million, a 48% increase over last year, reflecting both increased transaction volumes and significantly higher average revenue per order. Our closed orders increased 9% from the prior year, and our average revenue per order was up 36%.

Purchase revenue was down 4% during the quarter, driven by a 6% decline in closed orders, partially offset by a 3% improvement in the average revenue per order. This reflects continued weakness in home sale activity.

Refinance revenue was up 76% compared with last year, driven by a 57% increase in closed orders and a 13% increase in the average revenue per order. This growth was supported by a temporary decline in mortgage rates during the quarter, though activity has since softened as rates have moved higher. Refinance accounted for just 8% of our direct revenue this quarter and highlights how challenged this market continues to be compared to historic levels.

In the agency business, revenue was $759 million, up 16% from last year. Given the reporting lag in agent revenues of approximately one quarter, these results primarily reflect remittances related to fourth quarter economic activity.

Information and other revenues were $269 million during the quarter, up 14% compared with last year. The increase was driven by revenue growth at the company's subservicing business, higher demand for noninsured information products and services and refinance activity in the company's Canadian operations.

Investment income was $154 million in the first quarter, up 12% compared with the same quarter last year despite the Fed cutting rates 3 times. The increase in investment income was primarily due to higher average balances driven by commercial, 1031 exchange, subservicing and warehouse lending activity. Investment income benefited from our bank subsidiary shifting its asset mix to fixed income securities, which earn a higher yield and are less sensitive to changes in short-term interest rates.

Personnel costs were $546 million in the first quarter, up 13% compared with the same quarter of 2025. The increase was mainly due to incentive compensation expense resulting from improved financial performance and higher salary expense.

Other operating expenses were $277 million in the quarter, up 13% compared with last year, primarily attributable to higher production expense driven by higher volumes and increased software expense.

Our success ratio for the quarter was 58%, which is in line with our target of 60%. The provision for policy losses and other claims was $40 million in the first quarter or 3.0% of title premiums and escrow fees, unchanged from the prior year. The first quarter rate reflects an ultimate loss rate of 3.75% for the current policy year and a net decrease of $10 million in the loss reserve estimate for prior policy years.

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Interest expense was $27 million in the current quarter, up 34% compared with last year due to higher interest expense in the warehouse lending business and on deposit balances at the company's bank subsidiary. Pretax margin in the Title segment was 9.6% or 10.4% on an adjusted basis.

Moving to the Home Warranty segment. Total revenue was $110 million this quarter, up 2% compared with last year. The loss ratio was 36%, down from 37% in the first quarter of 2025.

The improvement in the loss ratio was due to small reductions in the number and severity of claims. Pretax margin in the Home Warranty segment was 23.5% or 23.8% on an adjusted basis. The effective tax rate in the quarter was 22.9%, which is slightly below the company's normalized tax rate of 24%.

Our debt-to-capital ratio was 32.2%. Excluding secured financings payable, our debt-to-capital ratio was 21.9%. As Mark mentioned, our stock has pulled back while our earnings and outlook have strengthened. So we took the opportunity during the quarter to repurchase 556,000 shares for a total of $33 million at an average price of $60.21.

So far in April, we repurchased 296,000 shares for a total of $18 million at an average price of $61.61. We will continue to take an opportunistic approach to buybacks based on valuation, available capital and our outlook.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mark DeVries, Deutsche Bank.

Mark DeVries - *Deutsche Bank AG - Analyst*

As I know you're aware, there have been a lot of talk about new entrants leveraging AI to potentially disrupt the title insurance industry. Mark, could you just talk about the ways in which you're evolving, whether it's Endpoint, Sequoia, other things to try to fend off the competition?

And also any kind of just inherent advantages you have moats that really should help you, again, hold up well against this competitive threat?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Yes. Thanks, Mark. Just in terms of AI, just in general, I mean, these are new tools available to us that weren't available a year ago. And so we've seen what they can do. We do think they're going to change our industry for the better, not just on the operating efficiency side, but it's going to allow us to reach new customers and service our customers better.

And so we're really leaning into it. And we're just all in on AI, and we feel like we need to win in our industry with AI. We talked a lot about Sequoia and Endpoint on this call and prior calls, and we feel really great about those capabilities.

In terms of the competition, I mean, there's a lot of talk about what AI can do, but we really have significant advantages. The first thing is -- and this is really for all title companies, distribution is hard to get. And we've got thousands and thousands and thousands of local relationships all over the country.

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We've got 800 offices in big counties and small counties all over the country. It's hard to replicate that. It's hard to get that, and it's hard to change how real estate is transacted in the US. A lot of people have tried something very slow to change. So distribution is very -- it's hard to get.

Second thing is, our title plants are a big advantage. It's a big advantage. We could not automate title like we are without our title plants. And not only are we automating it, but we're putting our balance sheet behind it. We're ensuring it, right?

And so we're not -- when we automate things, we're not changing our underwriting standards. We're not creating new alternative products that shift risk on to consumers, we're putting our balance sheet behind it.

And so our balance sheet is an advantage. Our data is an advantage. And I think I couldn't say this three years ago, but I think -- I believe this now. I think our technology is an advantage. I think when you look at our industry, we don't really compete on the basis of technology at all.

It's really -- it's a people business, it's a service business. But I think over time, data and technology become more and more important. And by those measures, I think we've got a big advantage.

Mark DeVries - *Deutsche Bank AG - Analyst*

Okay. Got it. I know in the recent past, you've been able to kind of significantly expand your title plant footprint through kind of leveraging technology to make that process more efficient.

Are you still generating efficiency gains there that could potentially have you with like kind of full coverage over the next several years? Or are there markets where that's just never is going to make sense.

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

I think there are -- realistically, there's some markets where it probably doesn't make sense. We're in 1,850 counties now. That represents 82% roughly of all real estate transactions. That's national coverage.

We are always looking to build new plants, but it's more of onesies or twosies here or there. I mean there are certain very, very rural markets where we're just -- there's just not enough business in those markets to scale. So we have a national footprint now.

I don't -- I think when looking back five years ago, there were definitely some markets. I can think of Chicago and some places in Texas where we wish we had title plants. Well, now we have them. So we've got a national footprint. We've been -- the ability for us to post our plans has just gotten better and better and better over time.

And we're clearly the industry leader here. And we sell this data to our competitors. We sell it to the industry on kind of a one-off basis, but we use it to really power our tools, and that's a big advantage.

So I think for the most part, we're really in the markets we want to be with the title plants. I don't see like another big wave of expansion geographically right now.

Mark DeVries - *Deutsche Bank AG - Analyst*

Got it. Makes sense. And just one quick follow up on Endpoint. I think you -- I know it's really early stage in the role. I think you alluded to being up to kind of 30% automation so far.

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But my recollection is you've talked about automating a much higher percentage of the process there. Can you just remind us where you think that number ultimately goes?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Yes. So first of all, we're really pleased with the progress with Endpoint, and we're really focusing on continually improving the product and also getting ready here for our first conversion where we're going to convert First American Title escrow offers onto the new Endpoint platform.

Our Washington team is very excited about this transition, and it's going to happen at the end of this quarter. So we're excited about that. We're at 30% automation rates right now. It's going to take a few years. But ultimately, we think we can be 80% to 90%, something like that.

And really, what this gives us is it gives our people the ability to spend more time going out and getting business, dealing with customers. In an escrow transaction, there's always things that go wrong. There's complex things that go wrong.

And we could spend more time doing those things and less on the administrative part of it. I think the work-life balance of our escrow officers is going to get a lot better, and it will allow us to have a lot more operating leverage when the market comes back.

And there's not a system -- there's nothing like it out there. Again, everything is done manually today. And we are gradually getting to this automation rate. But I think 80% to 90% at scale once it's mature, I think, is a good goal, but we've got a lot of work to do before we get there.

Operator

Maxwell Fritscher, Truist.

Maxwell Fritscher - *Suntrust Robinson Humphrey Capital Markets - Analyst*

I'm calling in for Mark Hughes. Commercial ARPO obviously been on a huge run. What are your expectations there for the balance of '26? Do you see that being sustained? And I guess, looking at your current pipeline?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Thanks, Maxwell. We have a lot of momentum in commercial right now. I think the whole industry is benefiting from this. I mean our revenue was up 48%. We're very confident that Q2 is going to be another similarly strong quarter in commercial. And 2026 is going to be a good year.

I mean it's going to be a record year for us. And I think the commercial market has legs. I think internally, we're always a little bit hesitant like how long is this going to last, but we think that there's going to be a couple more years here of at least strength in commercial market.

There's a lot of tailwinds that we have right now. Like back in 2022 when interest rates spiked, the bid-ask spread between buyers and sellers really widened, which caused the market to fall.

But since then, like we're in a very different environment now. We've got price stability, which gives investors confidence to invest. Sales growth has been persistent, and it really helps with confidence because there's more recent and reliable comps in the market.

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Commercial lending has been on the rise. There's a lot of equity capital in the business -- on the sidelines. Refinance volumes, there's a refinance wall we're going through right now. And so there's a lot of tailwinds, and we're just seeing it all across our business.

And on top of that, we've got really a new asset -- new material asset class, which is data centers. We're working on data center projects in 25 states right now. And energy projects for us are really starting to pick up soon.

We -- and it takes time, like energy, like we closed the deal this quarter. We started it 10 years ago. It's a very long-tailed business, maybe not all -- that's probably an extreme example, but there's just a lot of momentum, and we see it in '26 and beyond. So we're very pleased with the team and what we're doing there.

Maxwell Fritscher - *Suntrust Robinson Humphrey Capital Markets - Analyst*

Got it. And then you had mentioned refinance activity in Canada. Can you elaborate on the dynamics there? Is that activity expected to be sustained as well? And also, what's sort of the difference in the market there versus in the US.

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

Maxwell, this is Matt. I'll take that one. So in Canada, they don't have the concept of a 30-year fixed rate mortgage. So their mortgages tend to be three- to five-year in duration and then they need to refinance.

So we're really just coming to a refi wave or a refi wall that's coming. We saw it last year. We believe it's going to persist through this year and into next year. So we expect the refi tailwind to continue throughout the year here and into next year for Canada.

Maxwell Fritscher - *Suntrust Robinson Humphrey Capital Markets - Analyst*

And then if I may sneak one last one in here. Are there any updates you can share on the regulatory environment?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

The regulatory environment, I mean, there's different components to that. I think on the state level, it's fairly benign at the moment. There's always some things happening here or there, but I would say it's fairly benign.

I think at the national level, there's been a lot of talk about this title waiver pilot over time. It's -- we've talked about on these calls, it's immaterial. They've extended it until November of 2027. That's not new news. That's been around for a little while.

So there's not -- there's always things going on, but there's nothing I would point to specifically.

Operator

Terry Ma, Barclays.

Terry Ma - *Barclays Services Corp - Analyst*

So I think you called out 20 deals this quarter within commercial with over $1 million in premium. Kind of any color on kind of what sectors those deals are kind of focused on?

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And then as you kind of look forward, like is the breakup of like your deal pipeline kind of similar? And do you expect a similar number of deals with higher premium?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

When we look at the big deals, the biggest like asset class was energy deals. We closed a lot of big energy deals. The second biggest asset class was industrial and the data centers we kind of split data centers.

Some of them are industrial and then some of them are development sites. But industrial was our second biggest like megadeal asset class. And we did a couple of multifamily retail deals, but most of it is energy and industrial and data centers.

And it's going to continue. Like I said, I mean, we're working on data center deals. We've been working on energy deals. And we're just seeing huge transactions. Some of them already closed here in the second quarter, and we feel like the pipeline this year is looking very good.

Terry Ma - *Barclays Services Corp - Analyst*

Got it. That's helpful. I think last quarter, you said a bigger driver of the commercial growth or at least the revenue growth would be from volume rather than pricing. Is that still the thought? Or do you think there's a little bit more benefit from just the ARPO growth this year?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Well, we've been surprised. I think that heading into the year, we thought it was going to be a record year in commercial and it is, but it's even better than what we thought it was going to be, and it's really driven by a both.

So I think we've been a little bit -- you can say that the order counts have been below our expectations, but the fee per file has more than exceeded that. So that's the trend that we're seeing this year so far.

Terry Ma - *Barclays Services Corp - Analyst*

Got it. Okay. And then just one more question to follow up on your comment about title plants being a competitive advantage. Can you maybe just talk about how hard it would be for an entrant with AI or otherwise to kind of replicate that? Maybe just talk about what the barriers are to kind of reconstruct that advantage.

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Yes, sure. So first of all, if you want to build a title plant, you have to go out and buy the images. I mean you have to go out and buy the deeds and all the -- you have to go to 1,850 counties -- and you have to purchase, acquire the source documents that you need to build a title plant.

It's very expensive just to buy the source documents. Once you get the source documents, you have to have the title skill, I would say, to understand what documents are relevant, what documents are not, how to post the plant.

Every county is different. The syntax is different on what's -- is it a deed versus a warranty deed. There's a lot of nuances county by county in building a plant.

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Now I will say that it is cheaper to build a plant today than it was 20 years ago. There's no question about that. I mean AI is really helping with that, and we've seen the benefit. I mean we used to do it all manually today.

And today, about 85% of the time, we posted digitally. And 15 or so percent of the time, we're not really sure there's some of these documents are handwritten in some cases, and we have to have people look at it.

So it's gotten cheaper to build a plant. But the big thing is you have to buy the source documents. And every county or state have different rules about how far you have to go to search.

Like in places like Oregon, you've got to go all the way back to patent. You got to get the source documents all the way back to the beginning of the patent. Texas is 15-year search. So it is very, very difficult.

And I know there's been like some talk of, well, our title plant is useful or not. I'll just tell you this. People are still buying our title plants at a higher clip today than they were before. And a lot of the participants that are saying, oh, title plants are maybe not going to be around.

They're coming to us and wanting to buy title plant data from us. So I think there's a lot of noise out there. But the reality is we think it's really valuable and time will tell. But we like -- we think it's a big strategic advantage to have our plants. There's no question about that.

Operator

(Operator Instructions) Bose George, KBW.

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

On the Home Warranty business, can you remind us what a good run rate margin for that is? And also just the seasonality?

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

Bose, thanks for the question. This is Matt. Yes. So typically, we look to have margins in the mid-teens for home warranty throughout the year.

The seasonality is Q1 and Q4 typically are stronger quarters and then Q2 and Q3 typically have higher rates of claims, and it's really just driven by the weather and HVAC claims typically.

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

Okay. So this quarter from a seasonal standpoint was probably kind of roughly in line?

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

Yes. I mean this quarter was definitely a good quarter. And I know last year, we talked about how last year we had maybe higher margins than typical, and we didn't expect that to persist.

I'd say Q1 was largely in line. Our expectation right now is that Q2 and Q3 will see more of a typical weather pattern. So you'll see claims pressures maybe in Q2 and Q3 compared to last year.

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

Okay. Great. And then actually switching to investment income. In terms of the escrow deposits and being able to utilize them more, is there more room to do that at the bank?

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

So yes, so I'll answer what I think you asked, and then you can ask me if there's anything else there. So yes, I mean, we can put more deposits at our bank. We can grow our deposits at the bank.

We definitely have more room. We have capital available there right now to grow deposits. And if we need to, we can contribute more. As a strategy, we keep some of our escrow deposits at our bank, some escrow deposits at a third-party bank.

But as Mark mentioned, our strategic initiative has really been to grow deposits at the bank outside of our captive title business, for example, subservicing, 1031 and agent banking. And that's really been kind of the driver of the growth that we've seen at the bank.

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

And Bose, just one thing I'll add to that, too, is One thing I'll add just real quick, Bose, is we -- at times, we've talked about how like when the Fed cuts 25 basis points, we lose roughly $15 million of investment income as a general rule of thumb.

Well, we've been able to buck that trend. Like in the last year, the Fed has cut 3 times, and yet our investment income is up 12% year over year. And so we're really proud of the fact that we've been able to grow our investment income despite Fed cuts for the reasons that Matt has mentioned.

Operator

Oscar Nieves, Stephens.

Oscar Nieves - *Stephens Inc - Equity Analyst*

So I have one on tech. Mark, you mentioned earlier that as you continue deploying Endpoint and Sequoia, you also continue to learn and improve the product. And I was just wondering if you could share some color on those learnings.

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Well, the way the technology is built now, I mean, it's just moving at rapid fire pace. And like, for example, in Endpoint, every time we do something manually, right, we can go back and very quickly now change the software so the next time it doesn't have to be manually. We call it human in the loop, right?

So the AI, we assume the AI can do the work, but there's times when it can't because just the machines haven't learned. And so every time a human goes and makes an adjustment, then we go back and fix the software and make an upgrade so that they don't have to make that adjustment next time. It's the same thing for Sequoia, right?

And so the way the technology is built now, we've got this human in loop process where every time a human intervenes, we try to make it better the next time around, and we can iterate very, very quickly.

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And so that's why when we roll something out, 30% automation rates for being this young of a product is fantastic, and it's just going to get better and better and better over time as the machines learn. And there's a big advantage for sort of getting there first to market, and we feel like we're doing that.

Oscar Nieves - *Stephens Inc - Equity Analyst*

Yes. That's very helpful. And sort of related to that, you highlighted that the title segments -- well, you mentioned the title segment margins were very strong, and they were driven by commercial and also some expense management.

Can you break down the relative contributions between mix, pricing, expense management? And how much more margin improvement you could -- you think is possible as those technology -- legacy technology platforms roll off?

Mark Seaton - *First American Financial Corp - Chief Executive Officer, Director*

Well, there's a lot there. I'll just say that when we look at the margin growth this quarter relative to last year, I mean, we grew margins 250 basis points in the Title segment.

And really, the driver was the fact that (technical difficulty) that has sort of exceeded our expectations. And so when we look at our success ratio this quarter, it's 58%, and we try to target 60% or less. If we get 60% or less, we say that's successful.

And so we thought we did a good job of managing our expenses while revenue has been rising. I think when we look forward, we're going to see incremental gains because of technology over time. It's not going to happen in one quarter. We're not going to wake up and just be a 20% margin business.

But I think these incremental gains will just start to compound over time as we roll out our platforms nationally next year. And it's not just about those two. I mentioned in my prepared remarks, we've got incremental gains happening. And our team is excited about it.

We're giving our team new tools to win. I hear stories every single day about hey, AI is helping our employees. And these things will start to add up over time. And so I think whatever our normalized margins have been in the last 10 years, I think the next 10 years, they're going to rise.

And we'll just see -- we'll see how far. But we've got new tools available to us that we didn't have that will make our business more efficient than it's been.

Oscar Nieves - *Stephens Inc - Equity Analyst*

Yes. That helps. And one last one around capital allocation. Maybe for Matt. You talked about your opportunistic approach around buybacks.

So on that topic, first, if you can remind us how much is still available under the current repurchase program? And then what's the company's current thinking around capital allocation priorities for the remainder of the year, including M&A and buybacks?

Matthew Wajner - *First American Financial Corp - Chief Financial Officer*

Yes. Thanks for the question. So under the current program, if you take into account what we've already purchased through today in April, we have $248 million remaining on the program. So that's where we are.

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And then when it comes to capital allocation, like nothing has really changed from what we've discussed in the past, right? So our priority when we think about what do we want to do with our capital is our priority is to reinvest in our business. We've been doing that.

Mark's talked a lot about where that reinvestment is going. And then we also look to do acquisitions, right? And that's -- to the extent -- we haven't done a material one for a while now, but we're open to it, but it needs to make sense for us, right? So the valuation needs to be right and the fit needs to be right. And -- there's things that are in the pipeline, but we'll see how that turns out.

And then with our excess capital, we look to give that back to shareholders. We do that through dividends and share buybacks. I know the last couple of quarters, we haven't been buying back shares.

In Q1, we decided that the circumstances had changed, right? Like we've talked about before, we're opportunistic when it comes to buying back our shares. And in Q1, we saw that our stock was under pressure while our earnings and our outlook had strengthened from where we thought we were going to be at the beginning of the year.

So we took that opportunity to buy back shares. And we'll continue to take an opportunistic approach to buybacks based on valuation, available capital and our outlook.

Operator

Thank so much. There are no additional questions at this time. That does conclude this morning's call.

We'd 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 by entering the conference ID 13759993. The company would like to thank you for your participation. This concludes today's conference call. You may now disconnect.

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