

# FIRST AMERICAN FINANCIAL

## Spring Investor Presentation

March 2019

Leadership  
Integrity  
Commitment  
Teamwork  
Service



*First American*

# Safe Harbor Statement

CERTAIN STATEMENTS MADE IN THIS PRESENTATION AND THE RELATED MANAGEMENT COMMENTARY AND RESPONSES TO INVESTOR QUESTIONS CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE FACT THAT THEY DO NOT RELATE STRICTLY TO HISTORICAL OR CURRENT FACTS AND MAY CONTAIN THE WORDS “BELIEVE,” “ANTICIPATE,” “EXPECT,” “INTEND,” “PLAN,” “PREDICT,” “ESTIMATE,” “PROJECT,” “WILL BE,” “WILL CONTINUE,” “WILL LIKELY RESULT,” OR OTHER SIMILAR WORDS AND PHRASES OR FUTURE OR CONDITIONAL VERBS SUCH AS “WILL,” “MAY,” “MIGHT,” “SHOULD,” “WOULD,” OR “COULD.” THESE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING FUTURE OPERATIONS, PERFORMANCE, FINANCIAL CONDITION, PROSPECTS, PLANS AND STRATEGIES. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND ASSUMPTIONS THAT MAY PROVE TO BE INCORRECT. RISKS AND UNCERTAINTIES EXIST THAT MAY CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE THE ANTICIPATED RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, INTEREST RATE FLUCTUATIONS; CHANGES IN THE PERFORMANCE OF THE REAL ESTATE MARKETS; VOLATILITY IN THE CAPITAL MARKETS; UNFAVORABLE ECONOMIC CONDITIONS; FAILURES AT FINANCIAL INSTITUTIONS WHERE THE COMPANY DEPOSITS FUNDS; CHANGES IN APPLICABLE LAWS AND GOVERNMENT REGULATIONS, INCLUDING DATA PRIVACY LAWS; HEIGHTENED SCRUTINY BY LEGISLATORS AND REGULATORS OF THE COMPANY’S TITLE INSURANCE AND SERVICES SEGMENT AND CERTAIN OTHER OF THE COMPANY’S BUSINESSES; USE OF SOCIAL MEDIA BY THE COMPANY AND OTHER PARTIES; REGULATION OF TITLE INSURANCE RATES; LIMITATIONS ON ACCESS TO PUBLIC RECORDS AND OTHER DATA; CHANGES IN RELATIONSHIPS WITH LARGE MORTGAGE LENDERS AND GOVERNMENT-SPONSORED ENTERPRISES; CHANGES IN MEASURES OF THE STRENGTH OF THE COMPANY’S TITLE INSURANCE UNDERWRITERS, INCLUDING RATINGS AND STATUTORY CAPITAL AND SURPLUS; LOSSES IN THE COMPANY’S INVESTMENT PORTFOLIO; MATERIAL VARIANCE BETWEEN ACTUAL AND EXPECTED CLAIMS EXPERIENCE; DEFALCATIONS, INCREASED CLAIMS OR OTHER COSTS AND EXPENSES ATTRIBUTABLE TO THE COMPANY’S USE OF TITLE AGENTS; ANY INADEQUACY IN THE COMPANY’S RISK MANAGEMENT FRAMEWORK; SYSTEMS DAMAGE, FAILURES, INTERRUPTIONS AND INTRUSIONS, OR UNAUTHORIZED DATA DISCLOSURES; INNOVATION EFFORTS OF THE COMPANY AND OTHER INDUSTRY PARTICIPANTS AND ANY RELATED MARKET DISRUPTION; ERRORS AND FRAUD INVOLVING THE TRANSFER OF FUNDS; THE COMPANY’S USE OF A GLOBAL WORKFORCE; INABILITY OF THE COMPANY’S SUBSIDIARIES TO PAY DIVIDENDS OR REPAY FUNDS; AND OTHER FACTORS DESCRIBED IN THE COMPANY’S ANNUAL REPORT ON FORM 10-K, INCLUDING UNDER THE CAPTION “RISK FACTORS” IN ITEM 1A OF PART I OF THAT REPORT. THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE. 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.

22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



# Use of non-GAAP Financial Measures

THIS SLIDE PRESENTATION CONTAINS CERTAIN FINANCIAL MEASURES THAT ARE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), INCLUDING ADJUSTED INVESTMENT INCOME. ADJUSTED INVESTMENT INCOME EXCLUDES AFFILIATED INVESTMENTS AND IS PRESENTED BECAUSE IT PROVIDES THE COMPANY'S MANAGEMENT AND READERS AND VIEWERS OF THIS PRESENTATION WITH A BETTER UNDERSTANDING OF THE IMPACT OF INTEREST RATES ON THE COMPANY'S INVESTMENT INCOME OVER TIME. THE COMPANY DOES NOT INTEND FOR THESE NON-GAAP FINANCIAL MEASURES TO BE A SUBSTITUTE FOR ANY GAAP FINANCIAL INFORMATION. IN THE SLIDE PRESENTATION THESE NON-GAAP FINANCIAL MEASURES HAVE BEEN PRESENTED WITH, AND RECONCILED TO, THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES. INVESTORS SHOULD USE THESE NON-GAAP FINANCIAL MEASURES ONLY IN CONJUNCTION WITH THE COMPARABLE GAAP FINANCIAL MEASURES.

MANAGEMENT COMMENTARY AND RESPONSES TO QUESTIONS MAY CONTAIN CERTAIN FINANCIAL MEASURES THAT ARE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), WHICH NON-GAAP MEASURES HAVE PREVIOUSLY BEEN DISCLOSED AND HAVE BEEN PRESENTED WITH, AND RECONCILED TO, THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES EITHER IN OUR MOST RECENT EARNINGS RELEASE OR ANNUAL REPORT ON FORM 10-K, BOTH OF WHICH ARE AVAILABLE ON OUR WEB SITE AT [WWW.FIRSTAM.COM](http://WWW.FIRSTAM.COM).

22" SQUARE PEDESTAL  
24 3/4" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



First American

# AGENDA



Strong Track Record of Results

Well Positioned in a Changing Environment

Attractive Growth Opportunities



# Leader in the Title and Settlement Services Industry

**\$5.7B** Total Revenue

**18,300** Employees

**92%** of Revenue, Title Segment

**25.8%** Title Market Share

**800** Offices

**8%** of Revenue, Specialty Insurance Segment

**\$10.6B** Total Assets

**9** Countries

Trusted National Brand

Largest Title Plant and Property Record Database

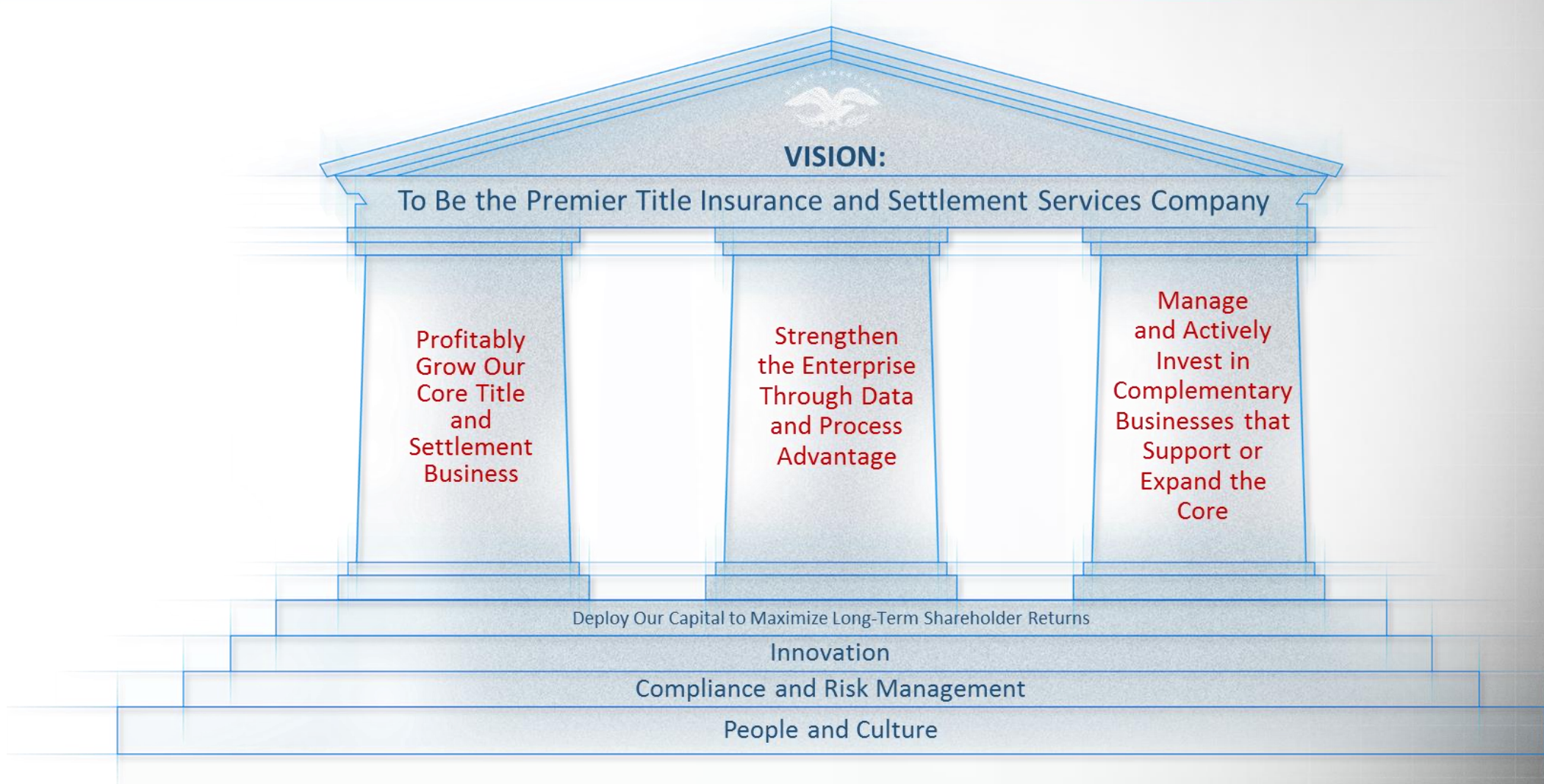
*Fortune* 100 Best Companies to Work For®  
2016 – 2017 – 2018 – 2019

Note: Revenue and market share data for 2018. All other data as of December 31, 2018.

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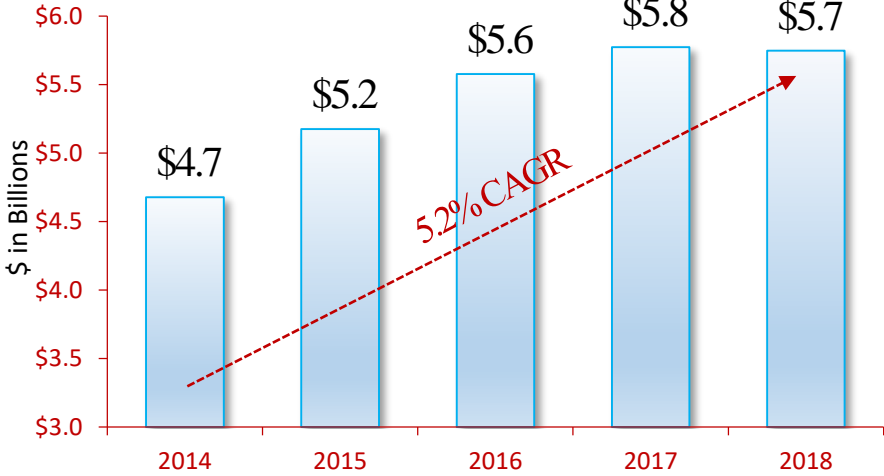
# First American Strategy



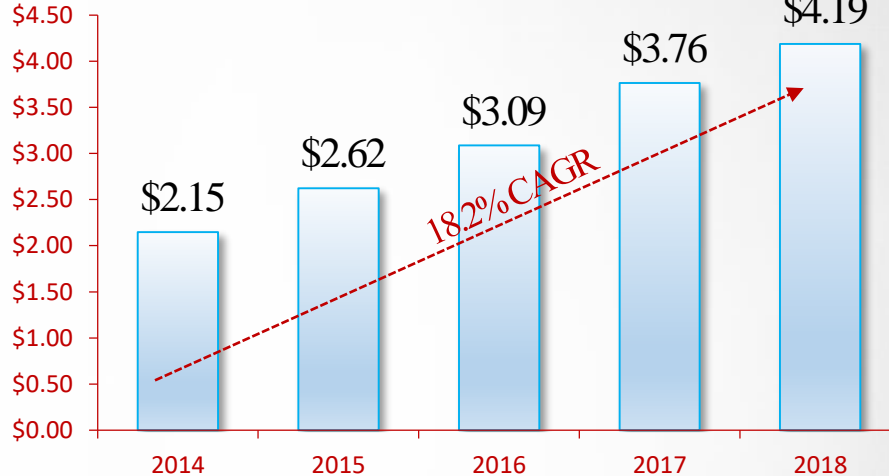
22" SQUARE PEDESTAL  
24 3/4" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# Past 5 Years: Achieved Strong Financial Results

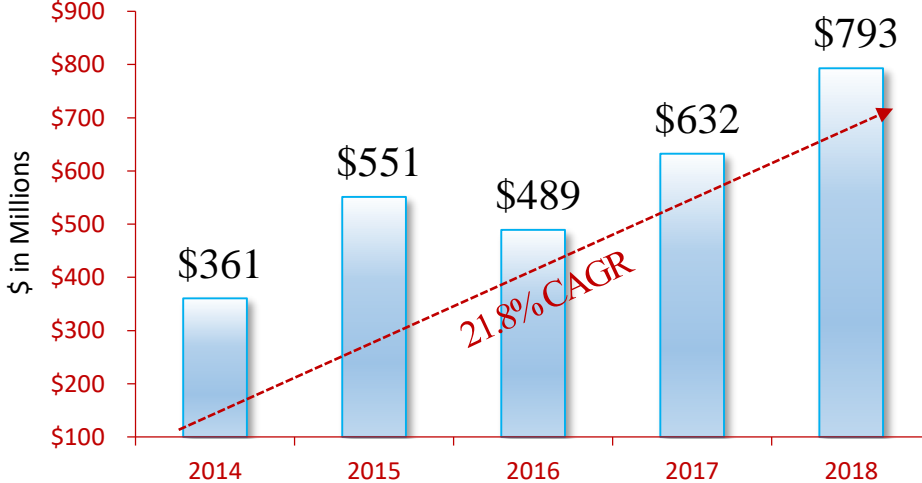
**TOTAL REVENUE**



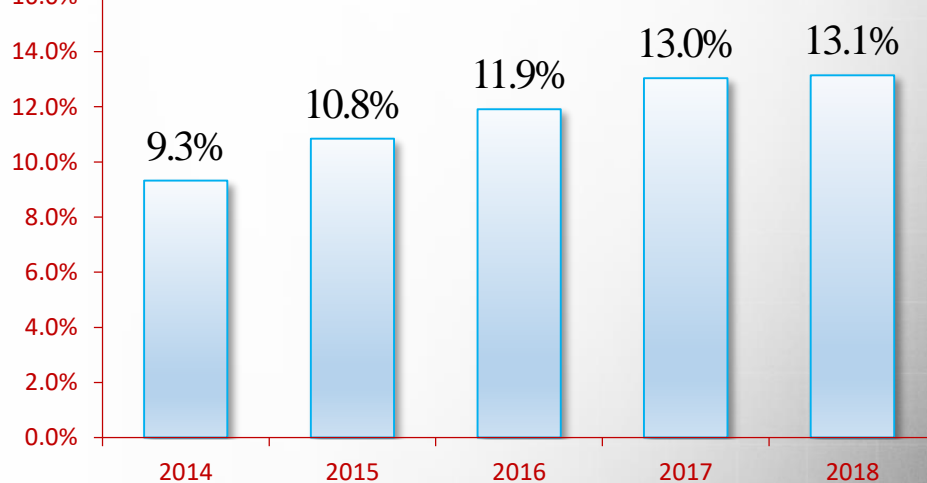
**EARNINGS PER SHARE**



**CASH FROM OPERATIONS**

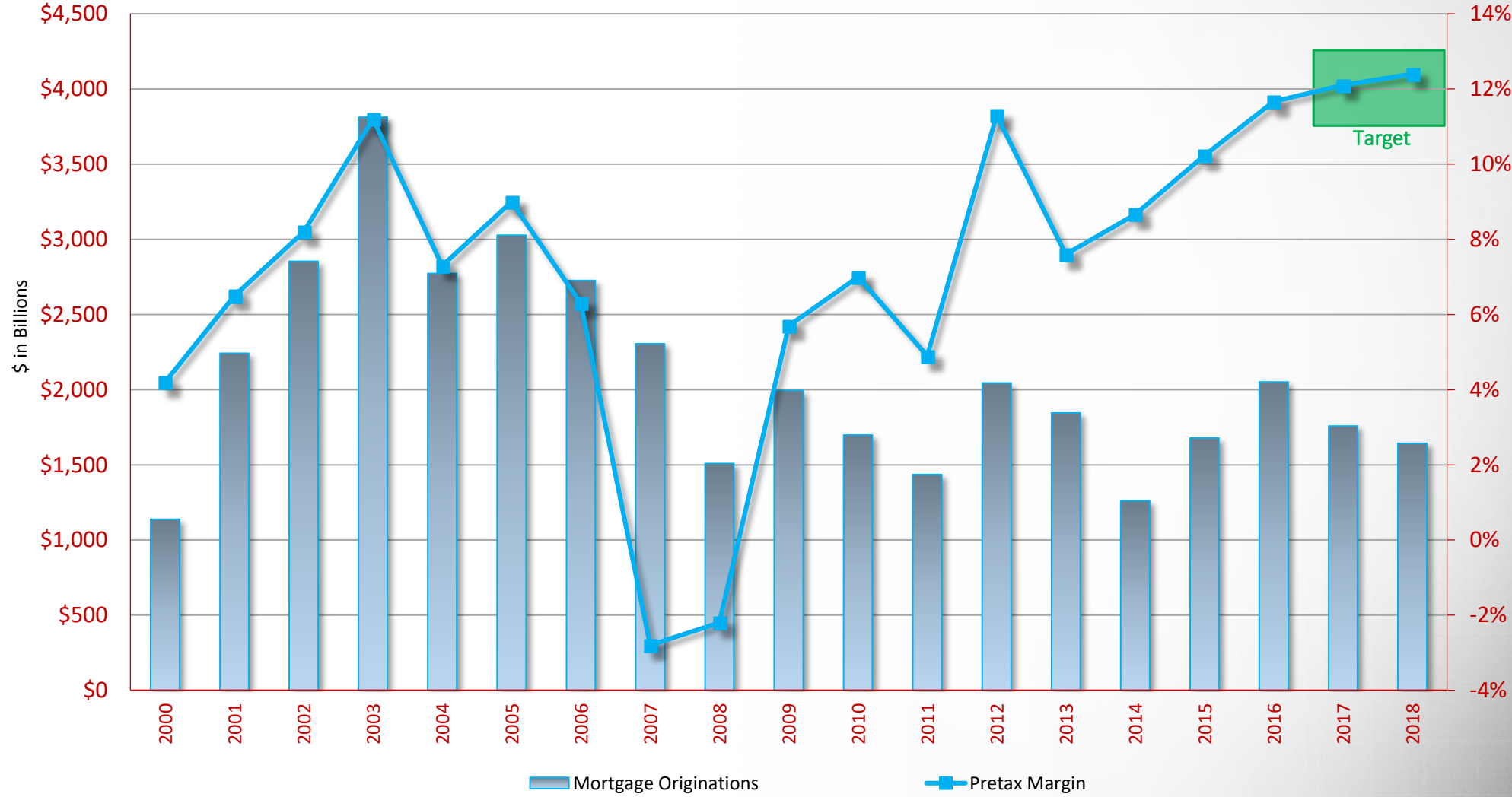


**RETURN ON EQUITY**



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

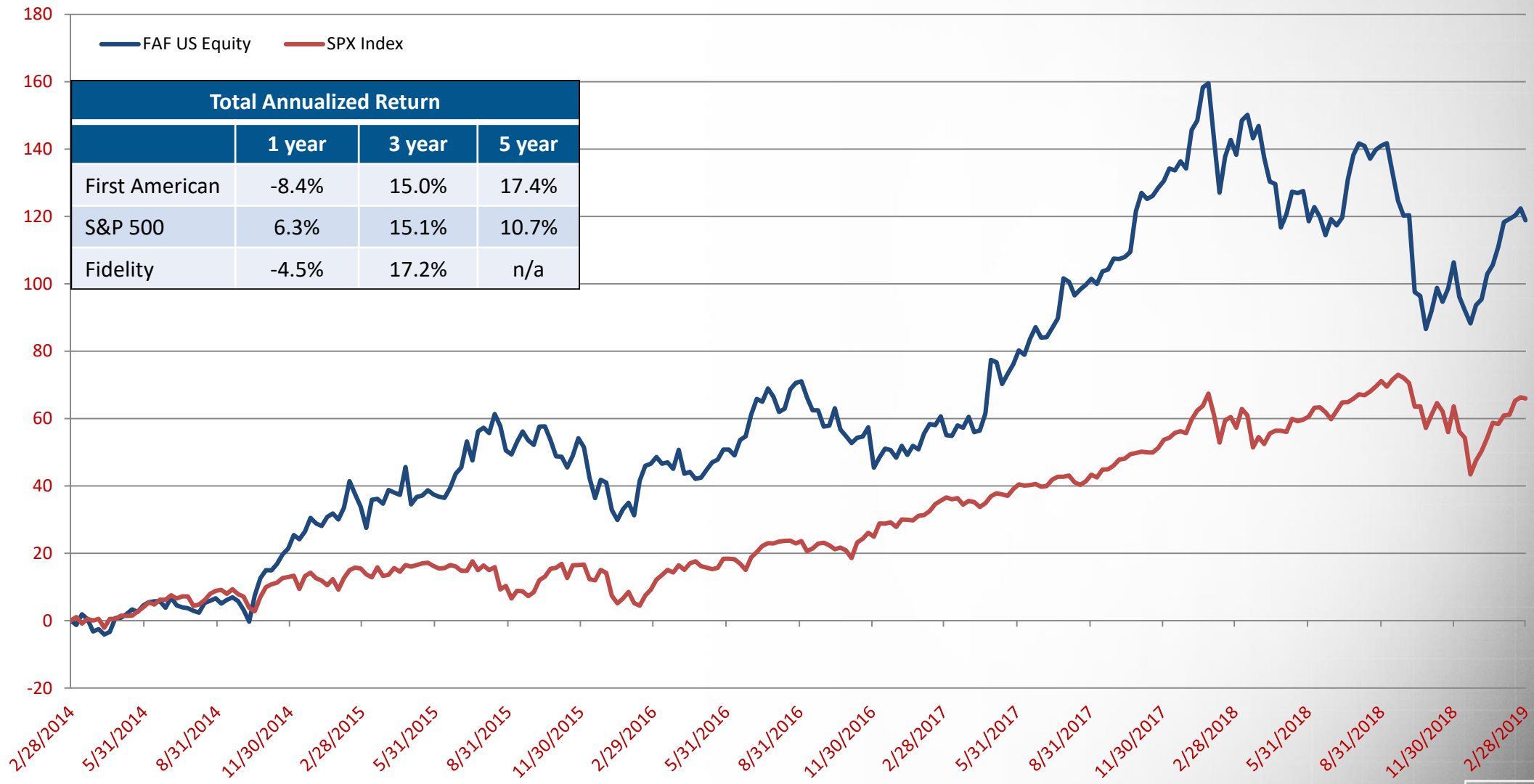
# Historical Title Insurance Margin



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



# Total Shareholder Return



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# AGENDA

Strong Track Record of Results

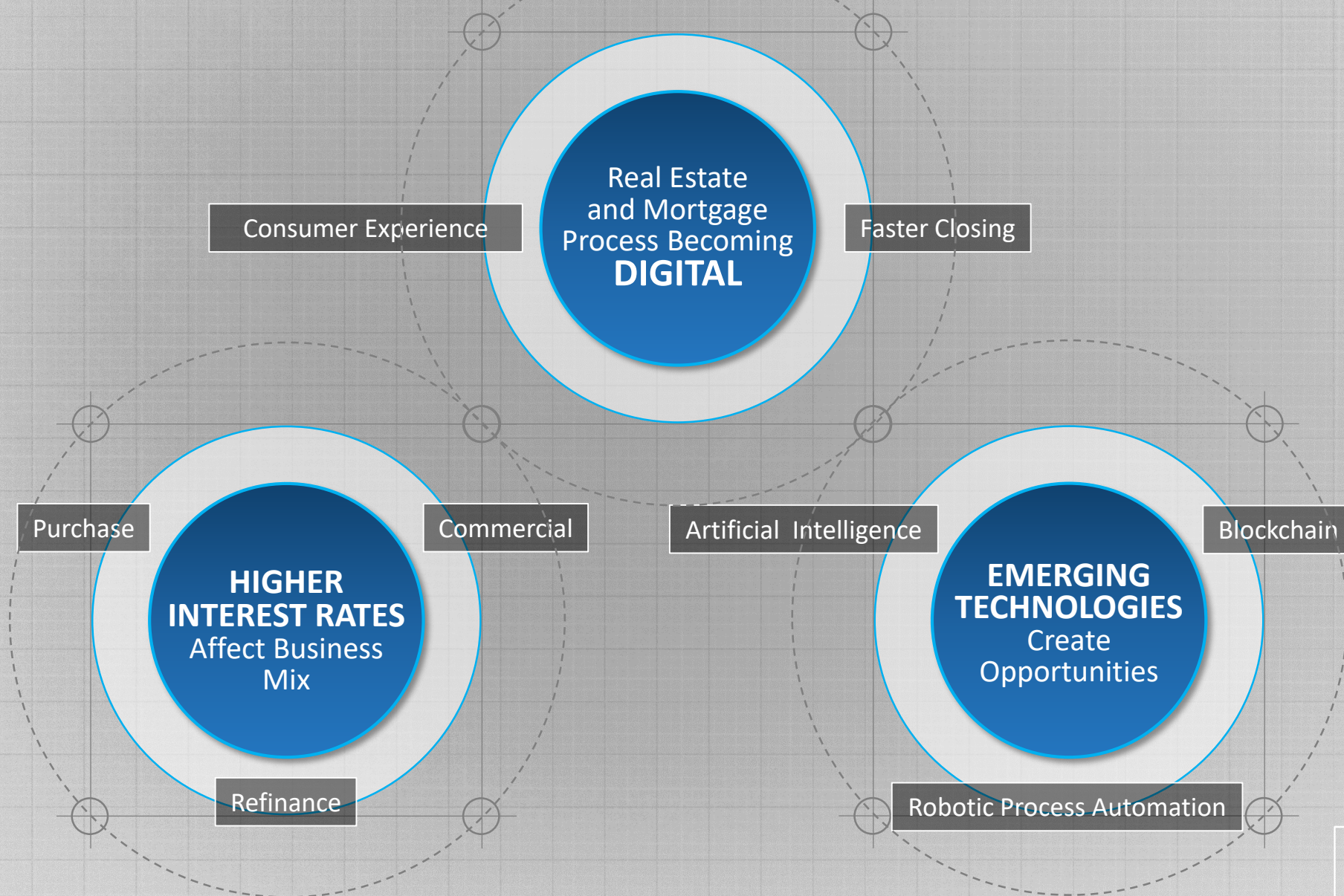


Well Positioned in a Changing Environment

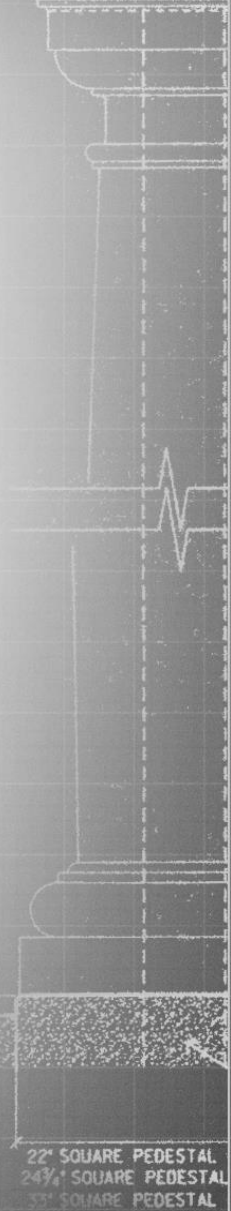
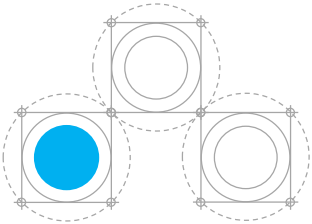
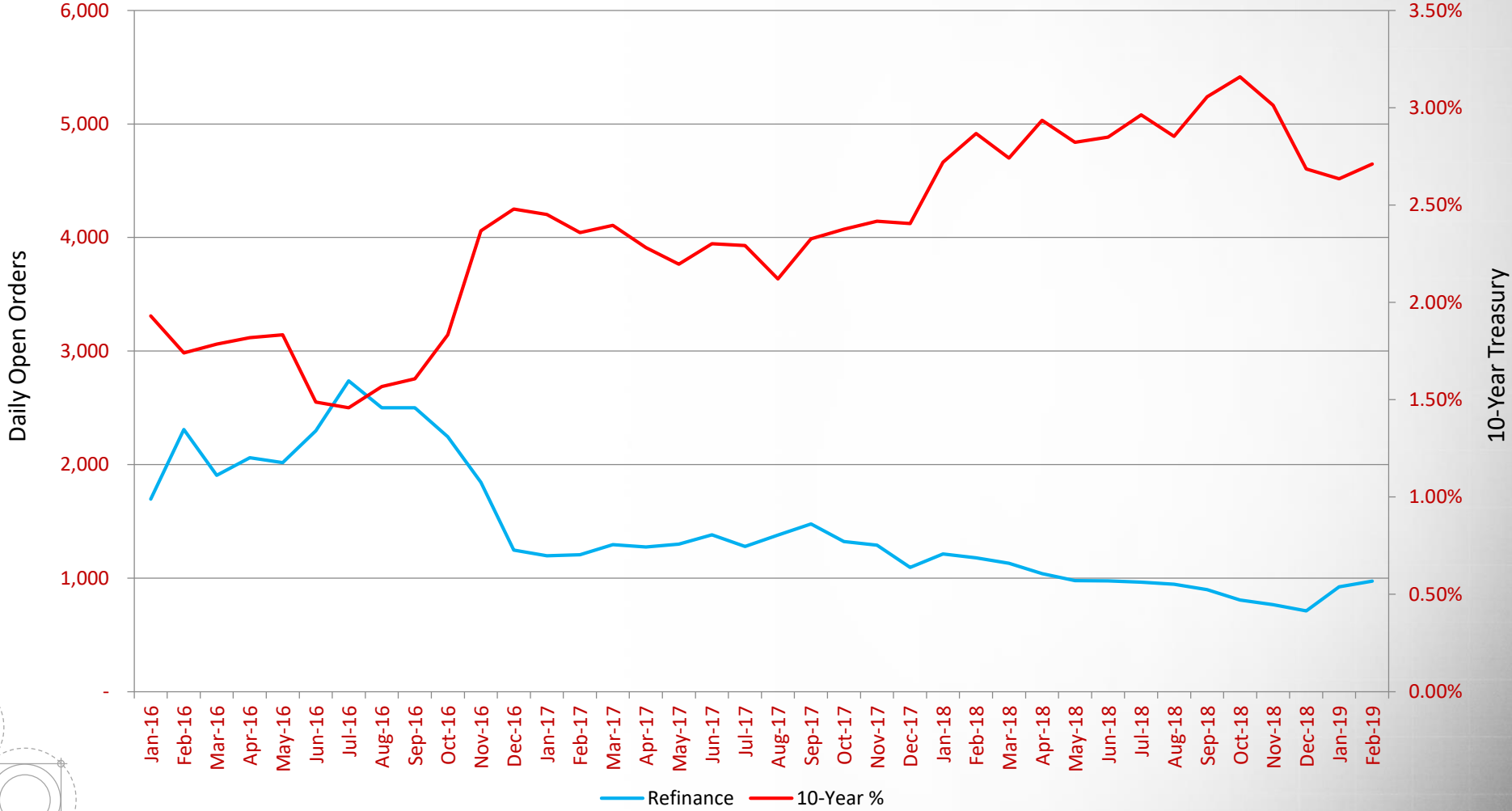
Attractive Growth Opportunities



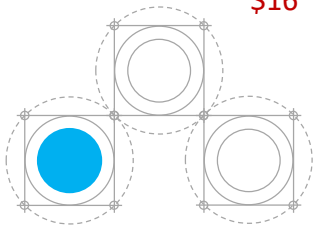
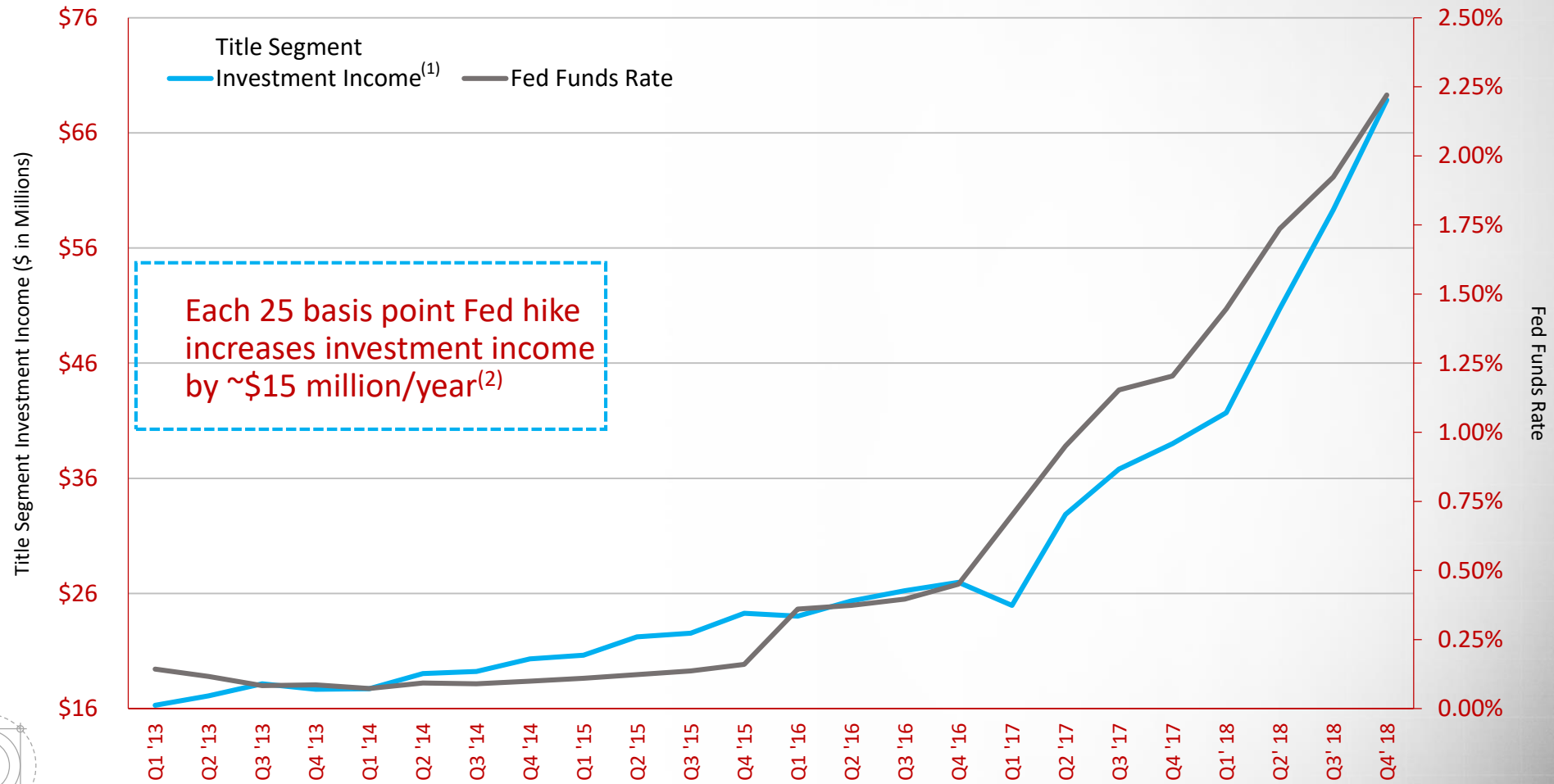
# Key Forces Driving Market Change



# Rising Rates Have Changed the Business Mix



# ... and Higher Short-term Rates Benefit Investment Income

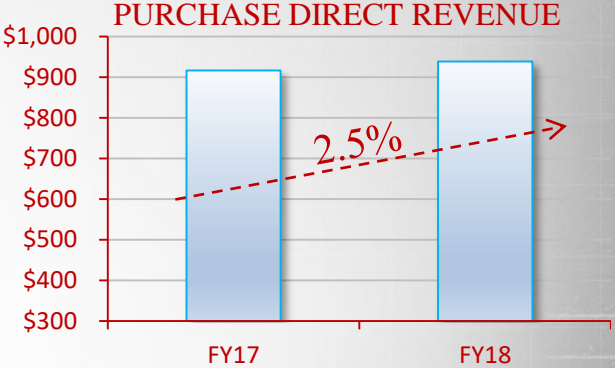
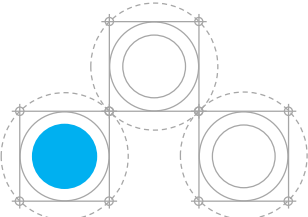
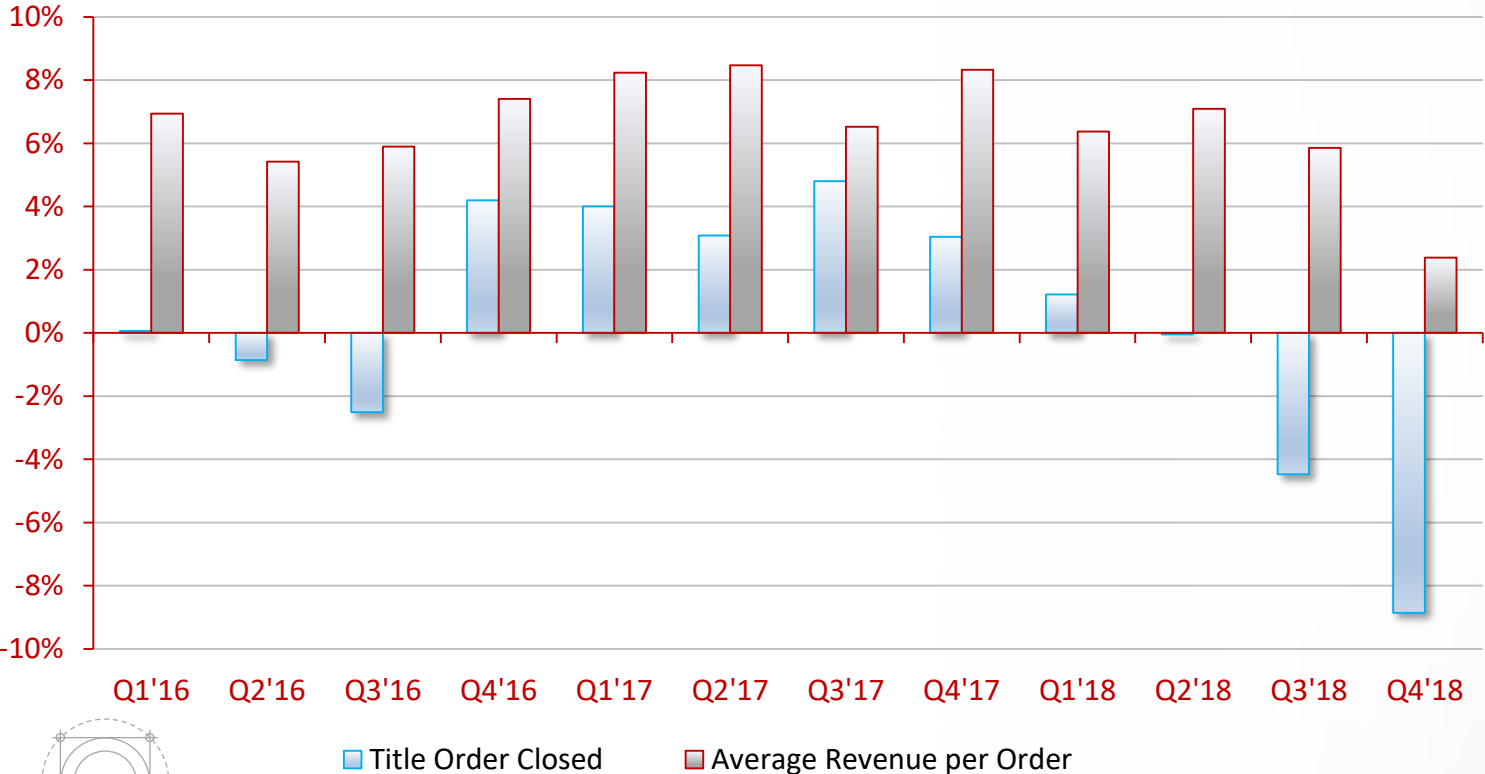


(1) Excludes affiliated investments (See reconciliation in Appendix).  
 (2) Company estimate.



# Purchase Market Slowing as Market Resets

GROWTH RATE vs. PRIOR YEAR



### Purchase Market

- Good economic backdrop with job and wage growth
- Near term affordability improving as market resets
  - Mortgage rates have improved
  - Home price appreciation slowing
  - Inventory increasing

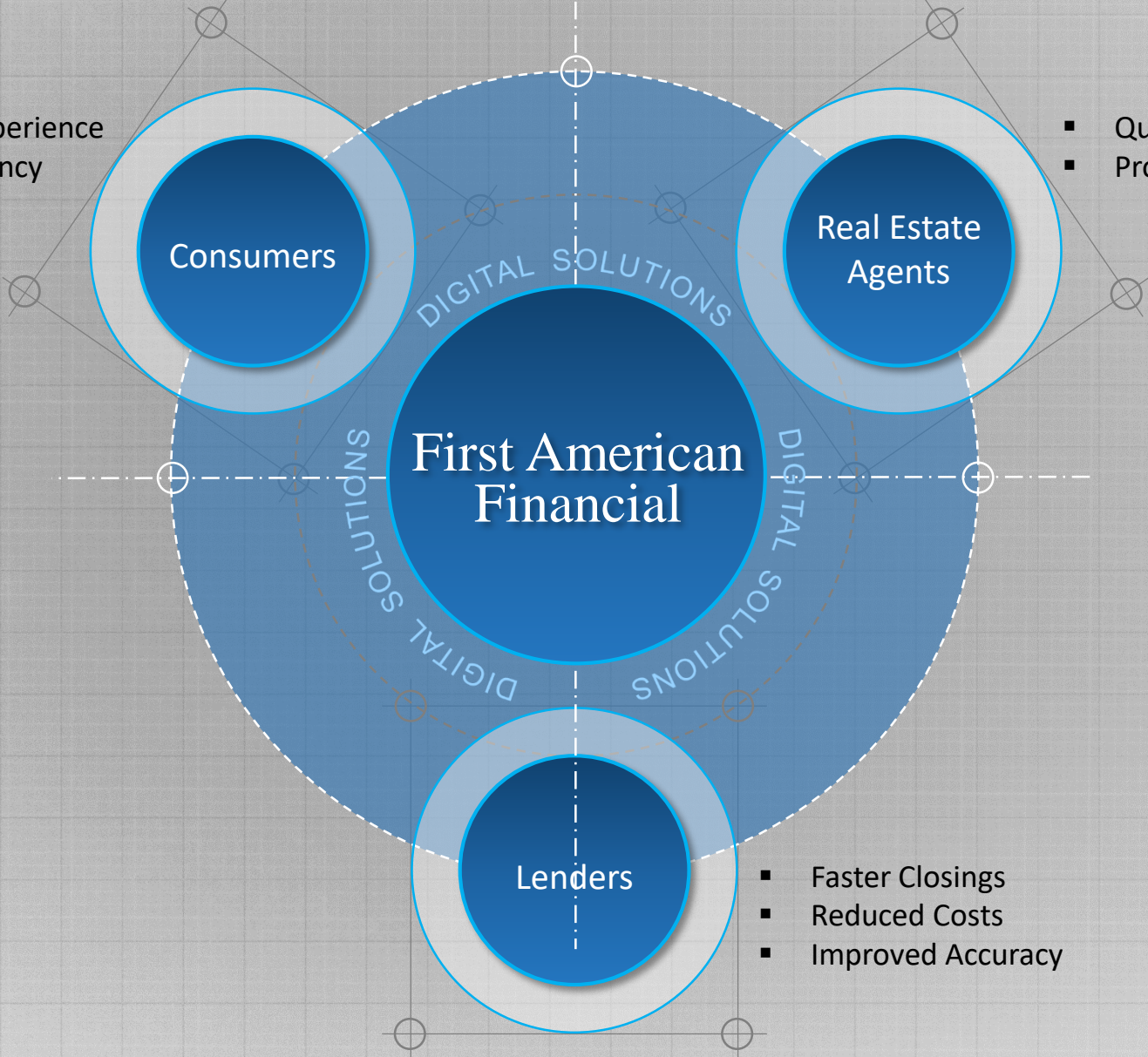
### First American Operations

- 550 local offices focused on purchase
- Leading homebuilder business
- Fee per file 2.5x refinance



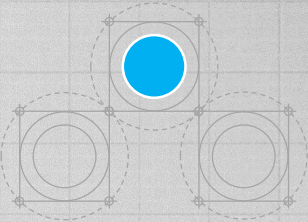
# Digital Transformation of Mortgage and Closing Process Underway

- Digital Experience
- Transparency

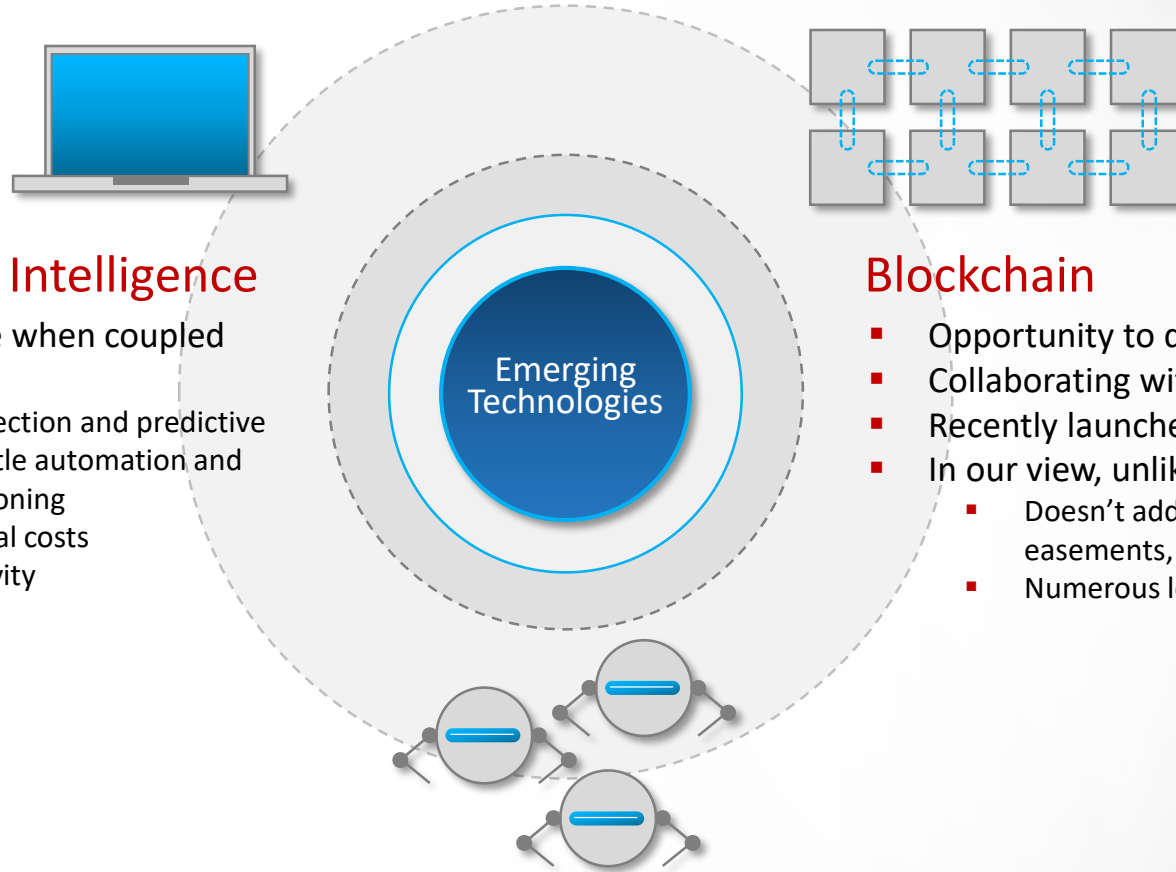


- Quality Service
- Proactive Communication

- Faster Closings
- Reduced Costs
- Improved Accuracy



# Emerging Technologies Create Opportunities



## Artificial Intelligence

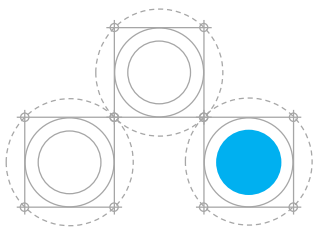
- High potential use case when coupled with proprietary data
  - Enhanced data collection and predictive analytics to drive title automation and enhance risk decisioning
  - Reduced operational costs
  - Improved productivity

## Blockchain

- Opportunity to drive process efficiencies
- Collaborating with lenders on proof of concepts
- Recently launched first production application
- In our view, unlikely to disrupt title
  - Doesn't address many title issues (fraud, easements, special rights, etc.)
  - Numerous legal and financial challenges

## Robotic Process Automation “BOTS”

- Automation of standard, repeatable tasks improves productivity and reduces cost
- Numerous opportunities being evaluated across title operations, accounting and underwriting
- New development platform now in place to accelerate live BOTS in production in 2019



# AGENDA

Strong Track Record of Results

Well Positioned in a Changing Environment



**Attractive Growth Opportunities**



# Strong Outlook for Title and Settlement Business

## Revenue Growth

- Purchase slowing as market resets
- Commercial market fundamentals remain strong
- Investment income growing due primarily to higher short term rates
- Refinance activity has declined to 8% of direct revenue

## Cost Efficient Operation

- Disciplined cost management culture
- Prudent underwriting has driven claim losses lower
- Leveraging data and technology to improve productivity and enhance risk decisioning

## Title Margin

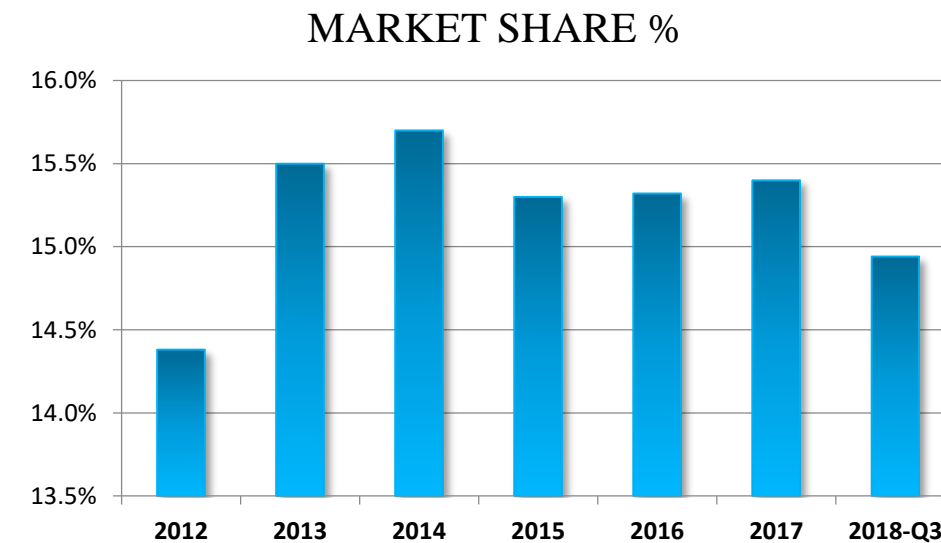
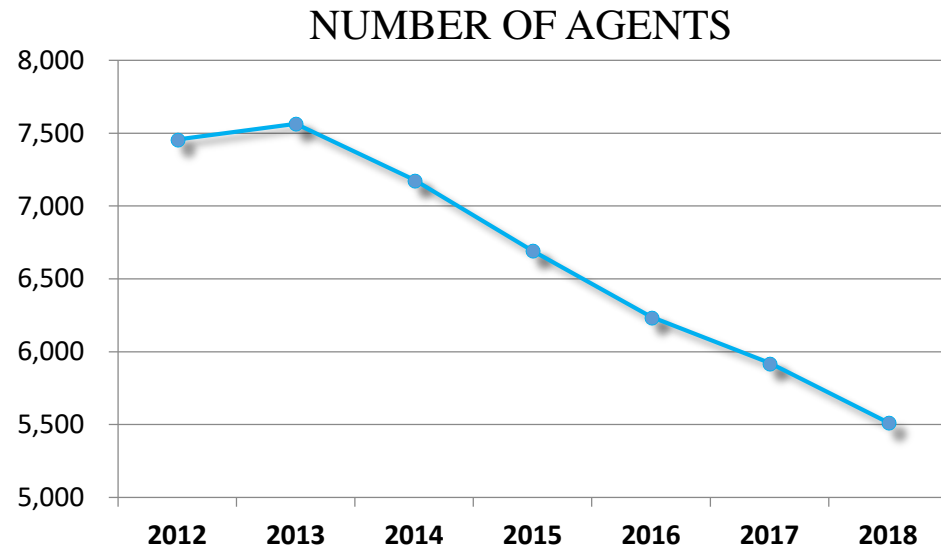
- Focus remains on margin expansion
- Record margin in each of the past 3 years

22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



First American

# Agency Division has Maintained Market Share with Fewer Agents

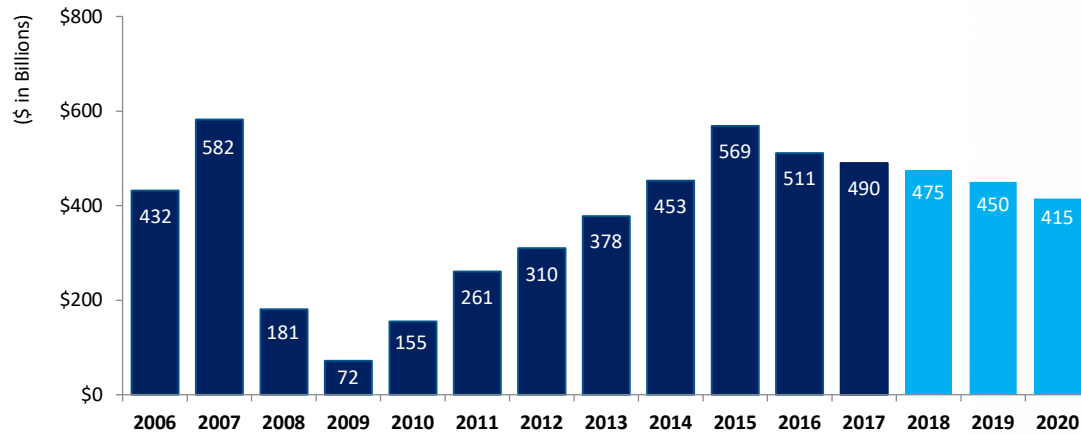


- FAF has reduced number of smaller agents in recent years to focus on larger, more profitable relationships
- Reduced risk, audit and administrative costs by terminating smaller agents
- Growth with large commercial agents
- Continual monitoring of profitability by agent
  - Moved agent split to 85/15 in So. California

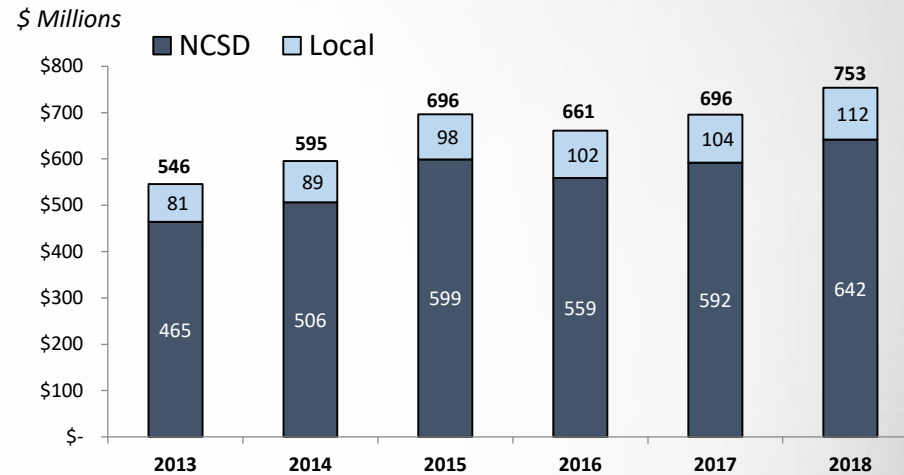


# Commercial Business Outlook

## Commercial Market Sales Volume<sup>(1)</sup>



## Direct Revenues



## Commercial - Current Trend and Outlook

- Most major asset classes and geographic markets remain strong
- High level of capital availability despite a decline in foreign capital
- A few overheated markets showing signs of fatigue (NYC, excluding 4Q)
- Expect strong activity level to persist, supported by continued economic growth

(1) Source: Real Capital Analytics



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

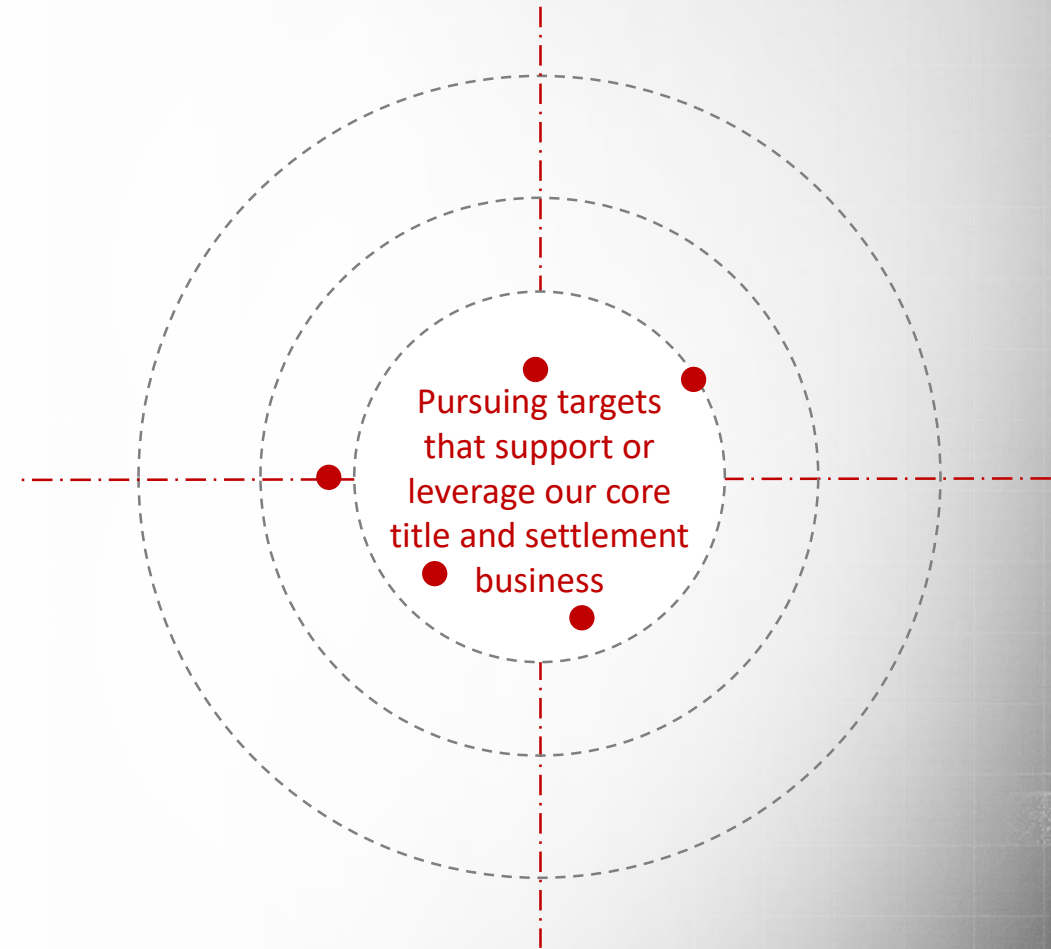
# Disciplined M&A Strategy Drives Growth

## Focused Strategy

- Title companies that expand our footprint in key markets
- Companies that enhance our data capabilities or expand product and service offerings

## Disciplined Process

- Strategic and cultural fit
- Risk adjusted return targets
- Operational integration



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# Mergers & Acquisitions

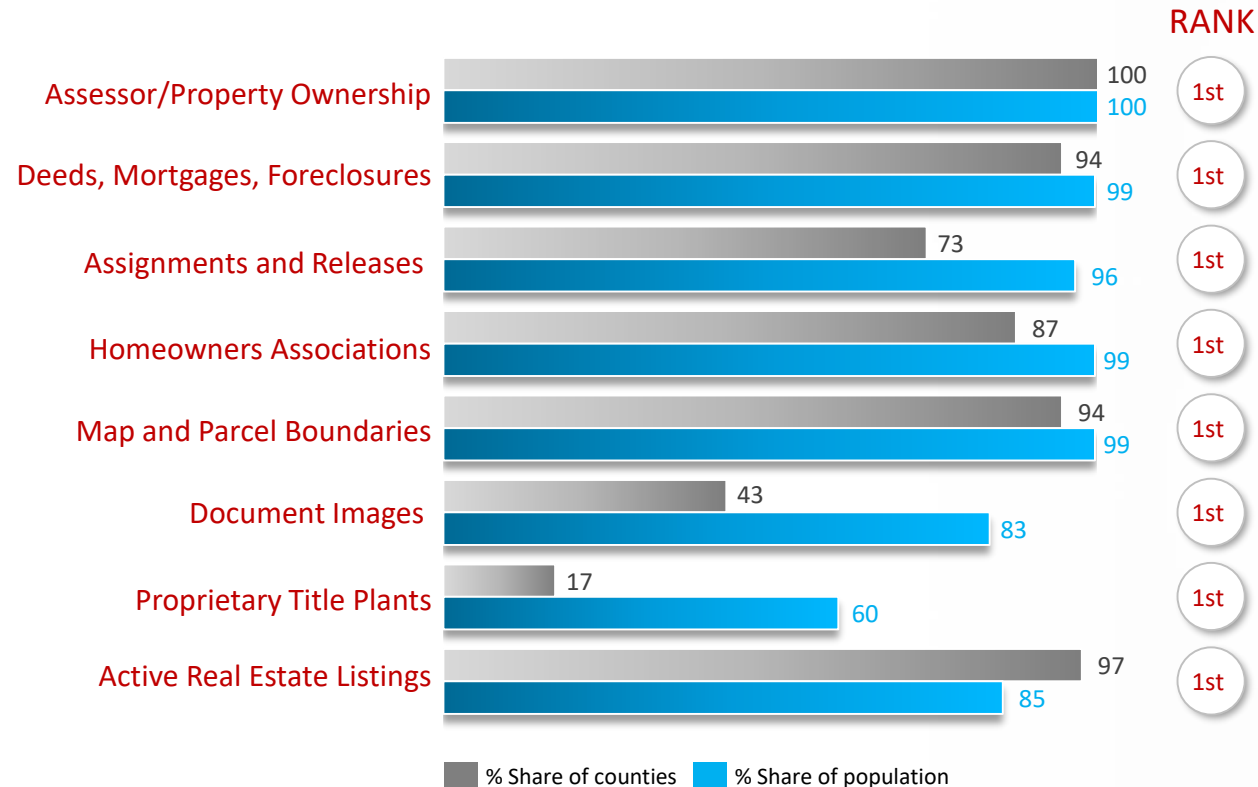
	COMPANY		TYPE	TOTAL SPEND <sup>(1)</sup>
2018	Bank America Lien Release Business	Significantly enhances the company's post-closing services business, while continuing to provide lien release services to Bank of America.	Title	\$78M
	First Funding	Provides residential warehouse funding and management services to small and mid-sized mortgage originators.	Complementary	
	PCN	Provides residential closing services including Safe Escrow software platform that enables more efficient and secure cash disbursement for title agents.	Complementary	
2017	SIS	Buyout of long standing joint venture of title information provider.	Complementary	\$91M
	Nevada Title	Leading title and escrow company with a strong presence in southern Nevada.	Title	
2016	TD Service	Leading provider of technology and services to the mortgage banking industry; broadens and enhances our post-closing and document management capabilities.	Complementary	\$115M
	RedVision	Largest independent provider of title and real property research; expands coverage to all 50 states and significantly improves product capabilities in the agent channel.	Complementary	
	Forsythe	Largest independent appraisal company in the U.S.; significantly expanded valuation offering to lender customers.	Complementary	
2015	TitleVest	Title/Settlement service agent with significant residential position in NYC.	Title	\$32M
2014	Interthinx	Provides solutions to help clients minimize risk, increase operational efficiencies, and satisfy regulatory requirements; best known for FraudGUARD, a market-leading mortgage fraud analytics product.	Complementary	\$163M
	Universal Land Title	Title/Settlement service agent primarily located in southern Florida.	Title	

- Acquire companies strategic to our core business that:
  - Strengthen geographic presence
  - Enhance product breadth
- Analyze expected returns on a risk-adjusted basis
- Aggressively integrate acquisitions to realize synergies

# Attractive Growth Prospects in Our Property Data Business

Leveraging Data Assets to Drive Title Automation and Enhanced Risk Decisioning

## CURRENT DATA COVERAGE



## Property Record Database

- Largest property record database
- Datatree.com and data licensing demonstrating growth

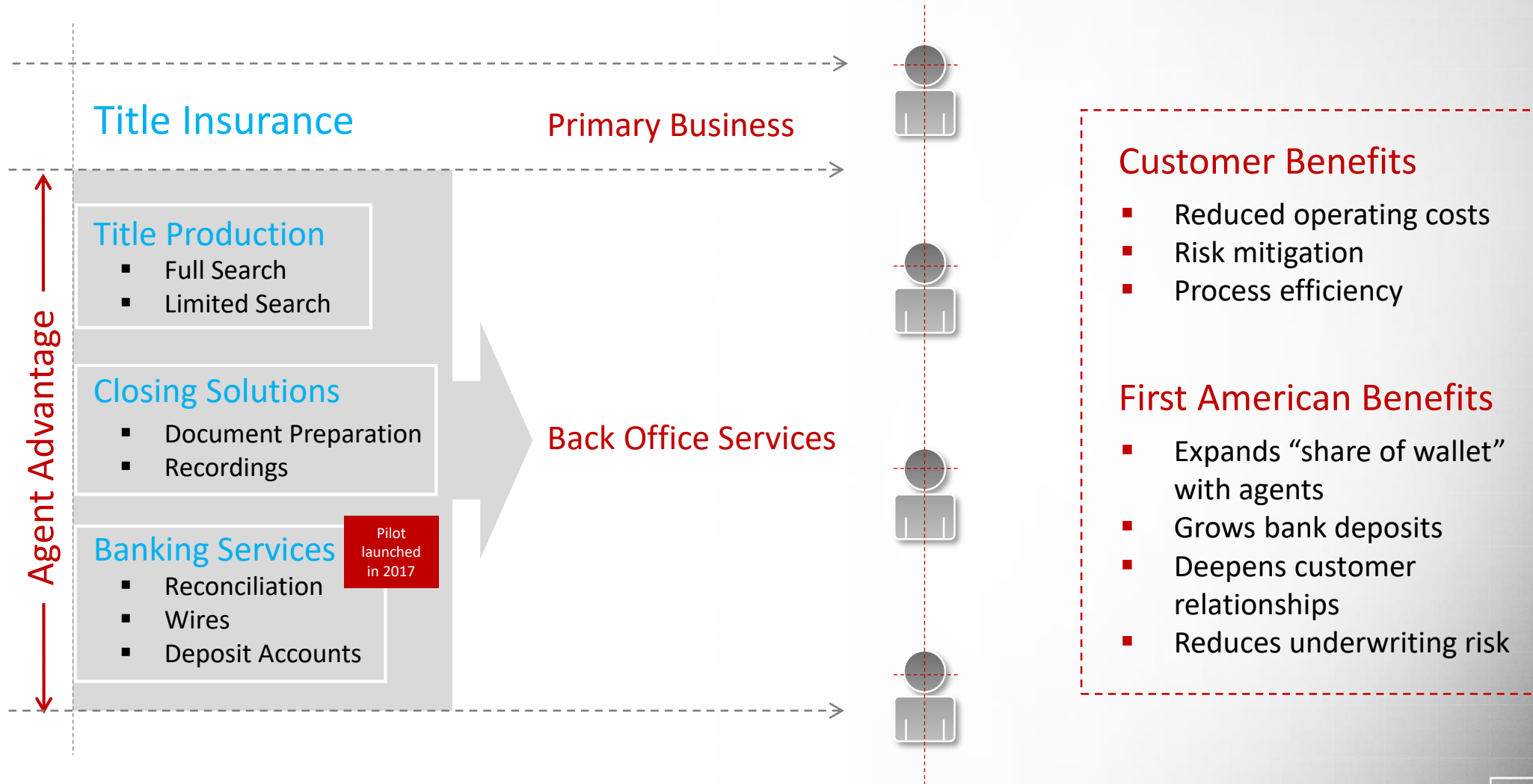
## Title Plant

- Continued expansion into new markets
  - Houston, Dallas, El Paso
- Long-term strategy to expand plant coverage to facilitate title automation

22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



# Offering a Wider Array of Products to Title Agents



# SUMMARY

## Strong Track Record of Results

- 17% annualized total shareholder return past 5 years

## Well Positioned in a Changing Environment

- Financial performance remains strong despite higher interest rates
- Actively investing for the digital future
- Application of emerging technologies creates opportunities

## Attractive Growth Opportunities

- Strong industry outlook
- Active M&A pipeline
- Data assets drive title automation and enhance risk decisioning
- Expanding service offering for title agents

# Capital Management Strategy

- Objective: Create long-term shareholder value
- Capital management priorities:
  - Make value-creating investments in our core business
  - Acquire businesses that fit within our strategy
  - Return excess capital to shareholders through dividends and share repurchases
  - Maintain “A-” financial strength ratings and adequate capital levels
  - Manage our capital structure prudently
  - Maintain ample financial flexibility and holding company liquidity

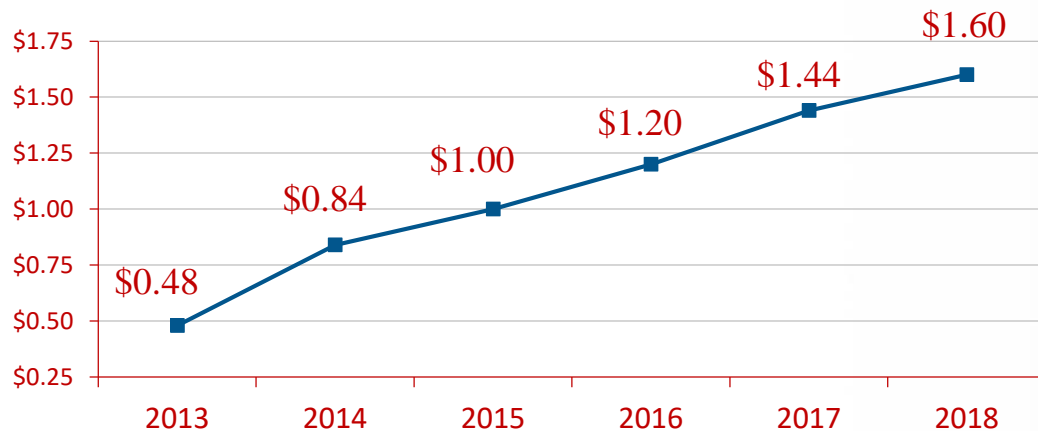
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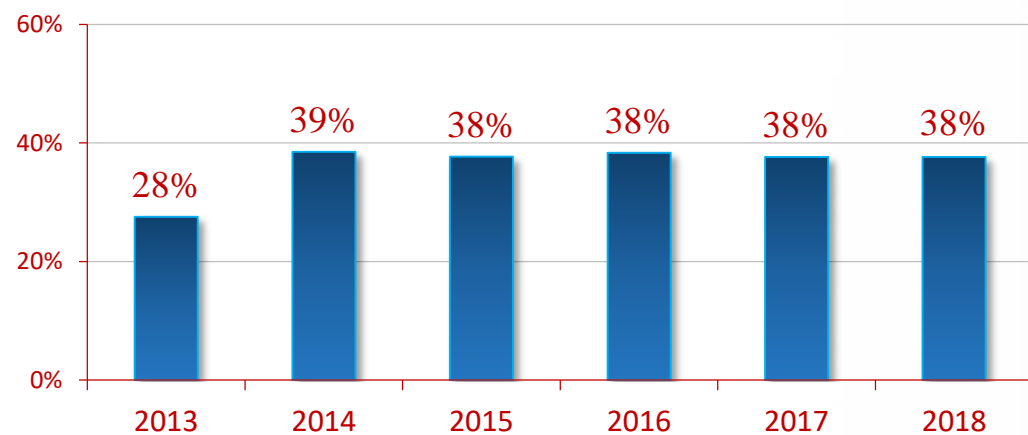
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# Dividends

## DIVIDENDS PER SHARE



## PAYOUT RATIO



## Dividend Considerations

- First American expects to pay a meaningful dividend given the company's cash flow generation and investment opportunities
- Dividend increases are intended to be sustainable in perpetuity
- Dividend increases will be dependent upon expected holding company cash flows, market conditions and alternative uses of capital, among other factors
- The company is not committed to increasing the dividend every year

# Share Repurchases

## SHARE REPURCHASE HISTORY



- Share repurchases will be dependent upon capital levels, market conditions and alternative uses of capital among other factors
- \$160 million remaining under share repurchase authorization

### 2013 Repurchase Summary

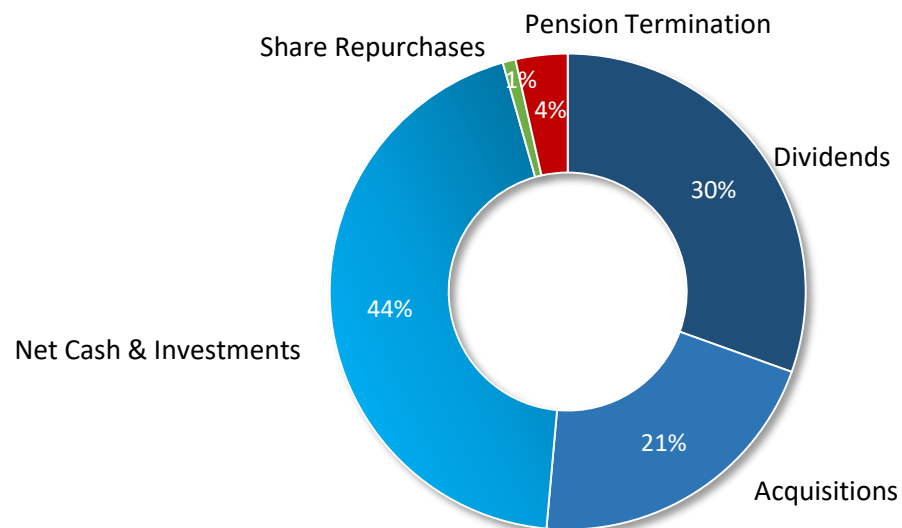
Shares purchased	3.0 Million
Total amount	\$64.5 million
Avg. price per share	\$21.87
IRR	25.9%

### 2018/2019 Repurchase Summary

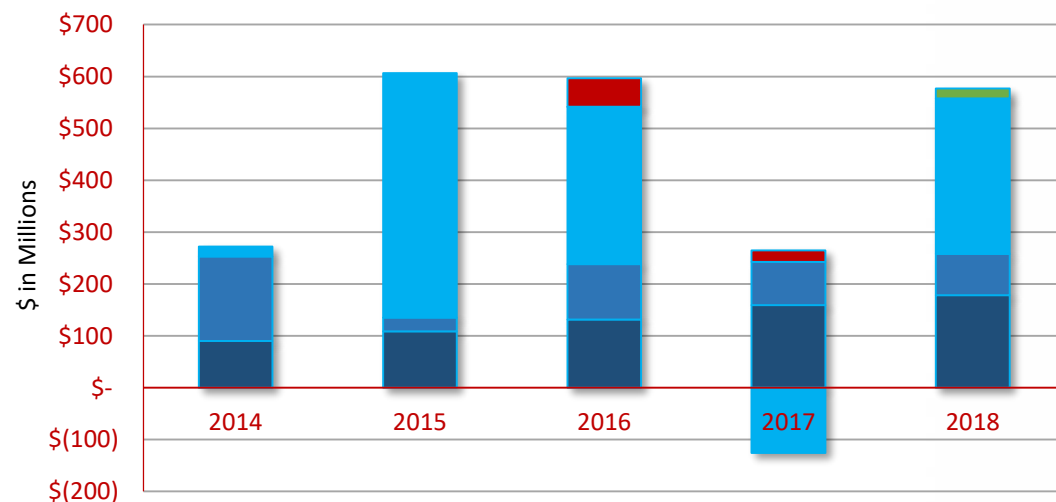
Shares purchased	472,133
Total amount	\$20.9 million
Avg. price per share	\$44.20
IRR	59.9%

# Uses of Free Cash Flow and Debt Proceeds

## CUMULATIVE 5 YEAR USES



- ~44% of cash flow used for investment portfolio to strengthen the balance sheet
- Moving forward, portfolio strengthening not necessary as capital levels exceed current targets
- A greater proportion of future cash flows will be allocated to dividends given recent increases

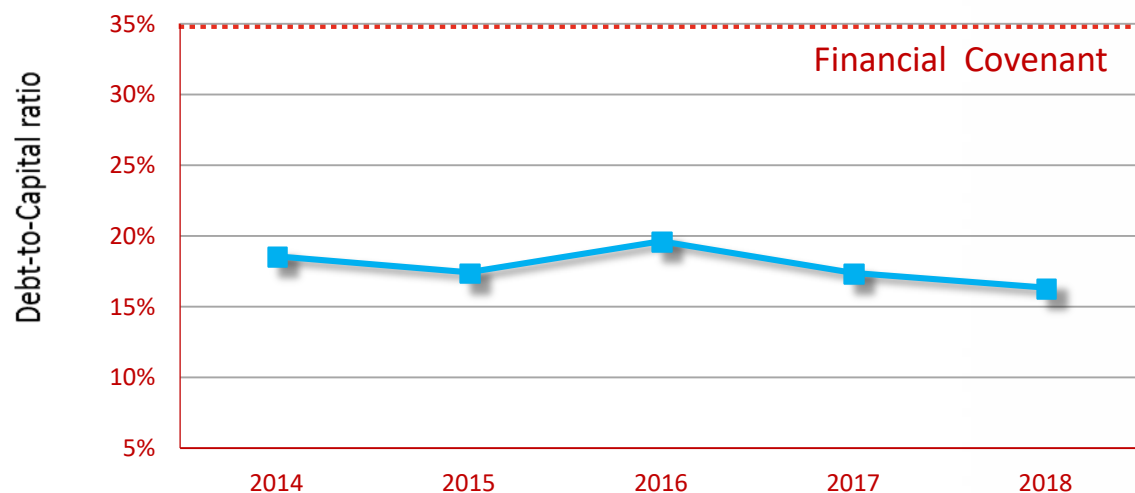


# Capital Structure

As of December 31 <sup>st</sup> , 2018 (\$ in Millions)	
4.3% Senior Notes Due 2023	\$249
4.6% Senior Notes Due 2024	\$298
Trust Deed Notes	\$19
Other Notes	\$6
Revolving Credit Facility	\$160
<b>Total Debt</b>	<b>\$732</b>
<b>Total Equity</b>	<b>\$3,745</b>
<b>Debt-to-Capital Ratio<sup>(1)</sup></b>	<b>16.3%</b>

- Management's target debt-to-capital ratio is 18-20%
  - Supports target financial strength ratings
- \$160 million drawn on \$700 million revolving credit facility
- Revolving credit facility term ends in May 2019
- Significant financial flexibility to seize strategic opportunities

## DEBT-TO-CAPITAL RATIO



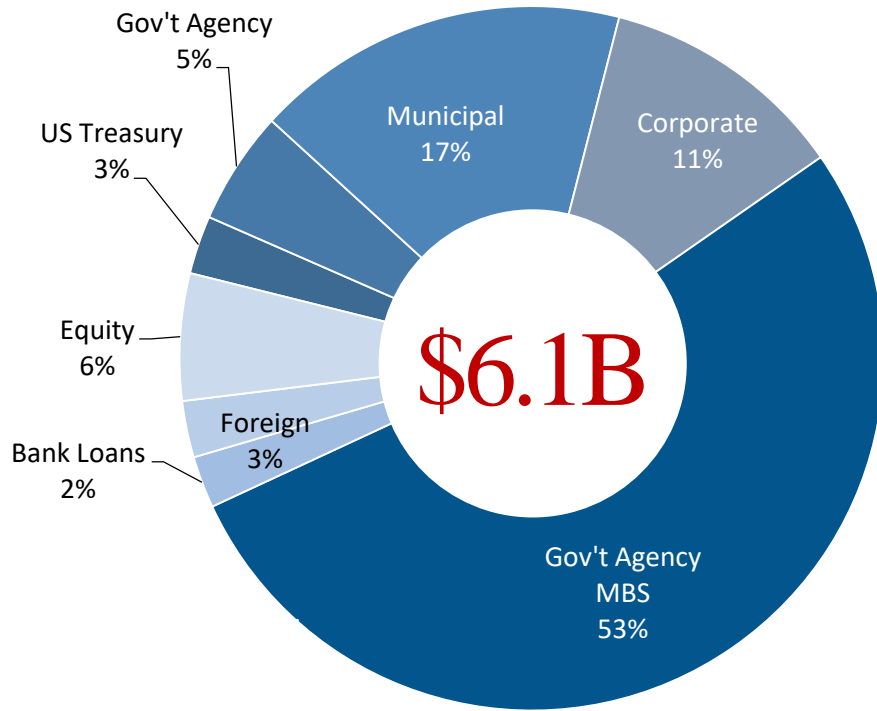
<sup>(1)</sup> Excludes \$76 million in secured financings for First Funding



First American

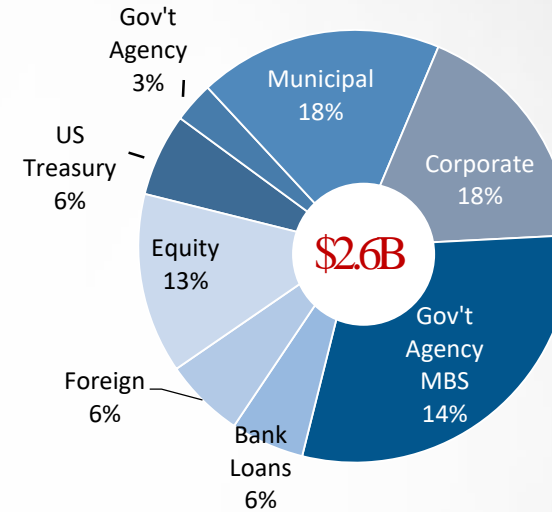
# Investment Portfolio

## CONSOLIDATED PORTFOLIO



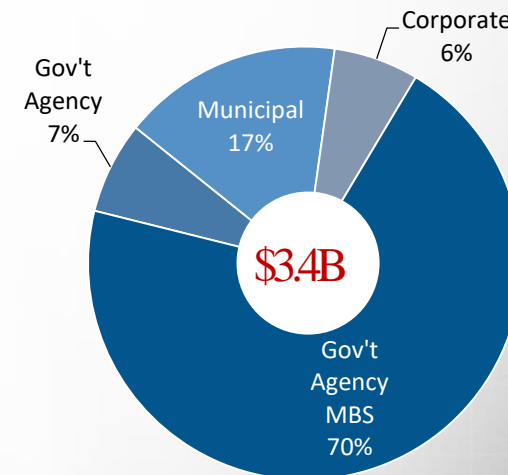
Avg. Rating : AA  
 Duration: 4.7  
 Book Yield: 3.0%

## INSURANCE PORTFOLIO



Avg. Rating : AA-  
 Duration: 5.1  
 Book Yield: 3.4%

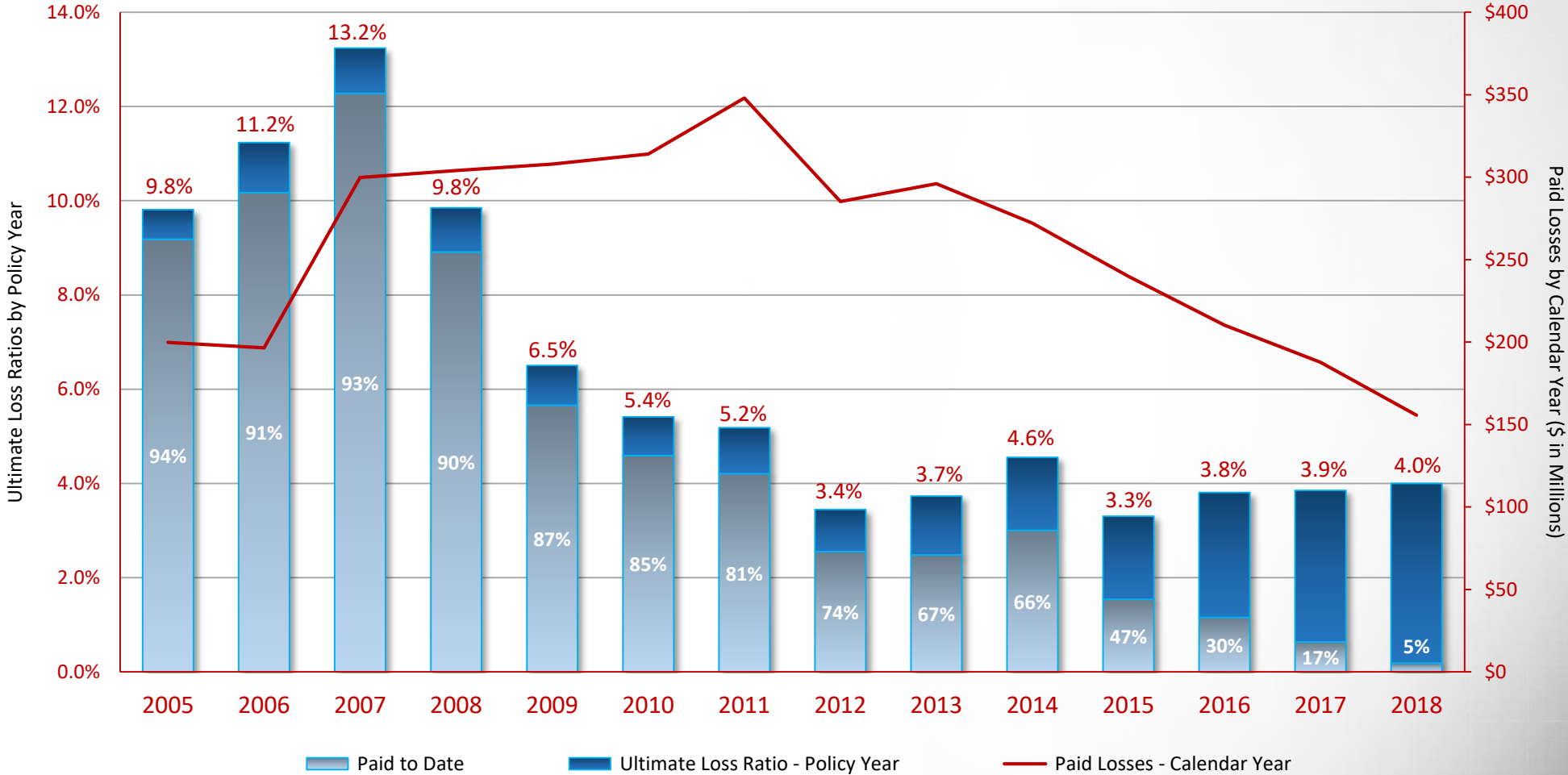
## BANK PORTFOLIO



Avg. Rating : AA  
 Duration: 4.5  
 Book Yield: 2.7%



# Ultimate Loss Ratios by Policy Year



Note: Ultimate loss ratios are estimates and calculated as a percentage of title premiums and escrow fees for a given policy year as of December 31, 2018



22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# Title Insurance Margin Objective

	Downside	Base Case	Upside
Pretax Margin	<11%	11% - 13%	>13%
Mortgage Originations	<\$1.4 Trillion	\$1.4 - \$1.8 Trillion	>\$1.8 Trillion
% Refinance	~25%	~25%	~25%

22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



# Investment Considerations

- Focused strategy as “pure play” in title and settlement markets
- Attractive industry characteristics
- Strong competitive position in title and settlement services
- Opportunity to grow through focus on innovation and by leveraging unique assets (e.g. bank and data)
- Expect earnings and margin growth as mortgage originations improve
- Strong balance sheet and financial flexibility
- Commitment to return capital to shareholders

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24 3/4" SQUARE PEDESTAL  
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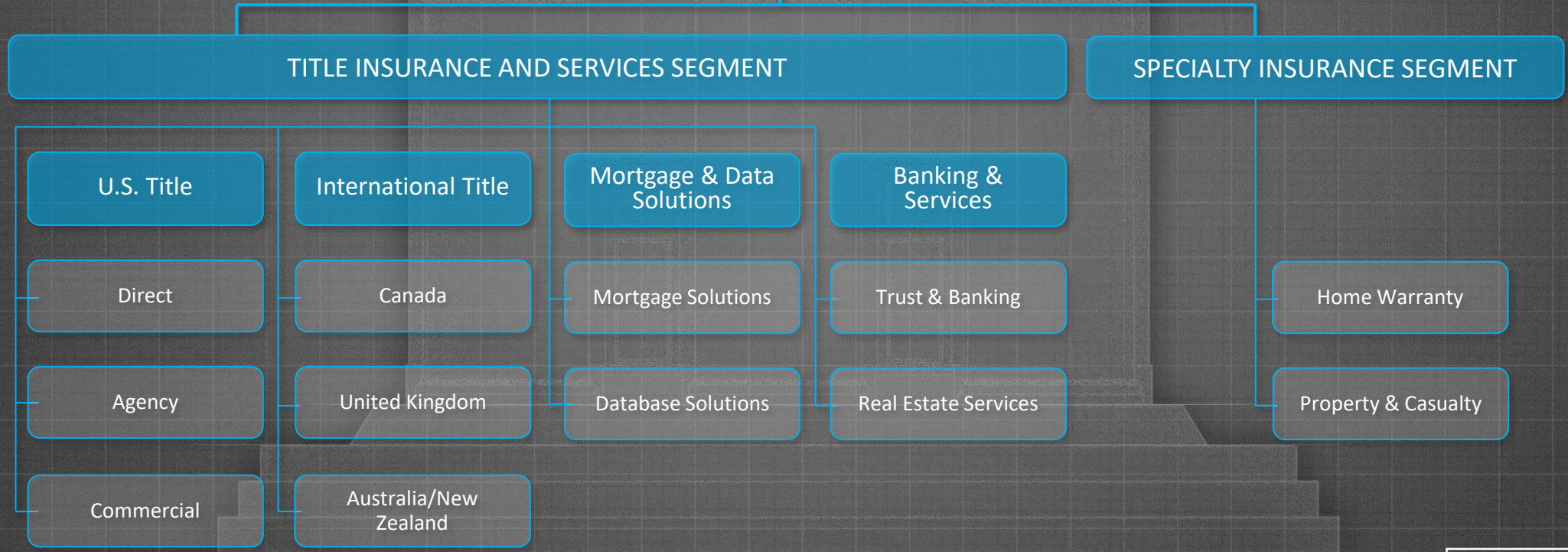
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# APPENDIX



# ORGANIZATIONAL STRUCTURE

## FIRST AMERICAN FINANCIAL CORPORATION





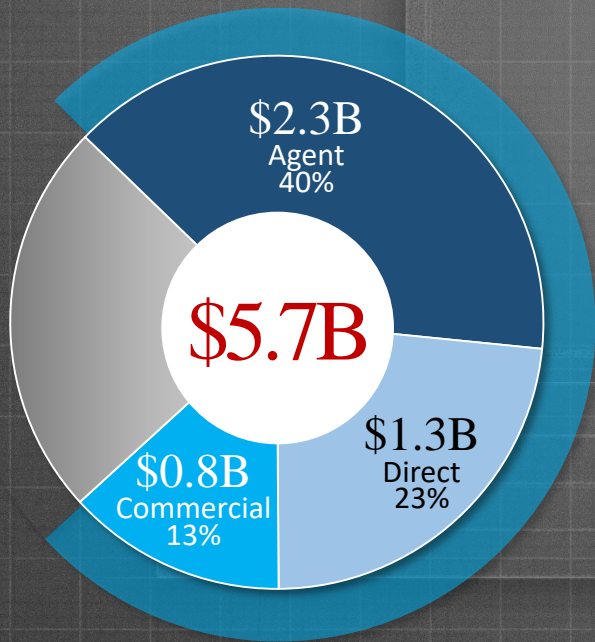
# U.S. TITLE

DIRECT

AGENCY

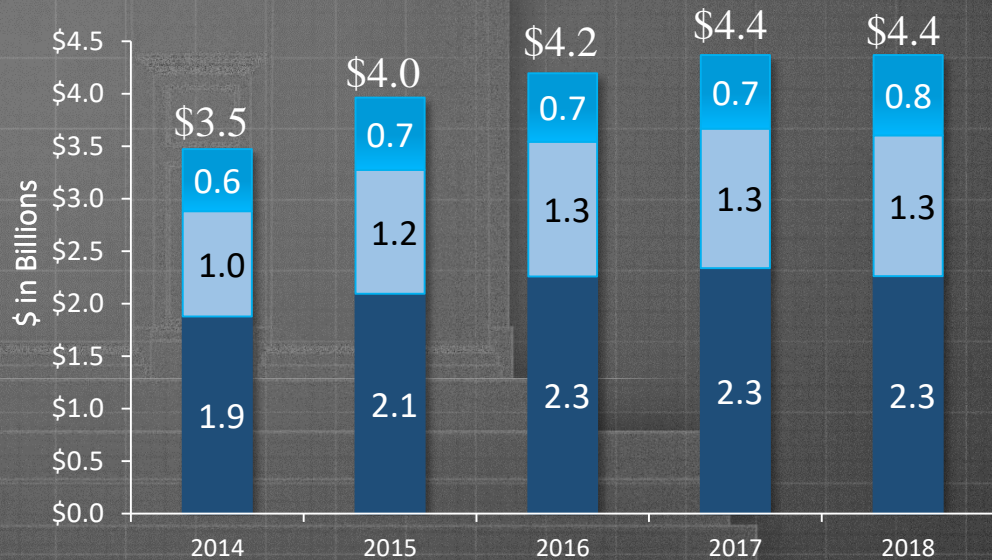
COMMERCIAL

First American Financial Total Revenue



\$4.4B  
U.S. Title  
76%

Total Revenue Trend



Agent Direct Commercial

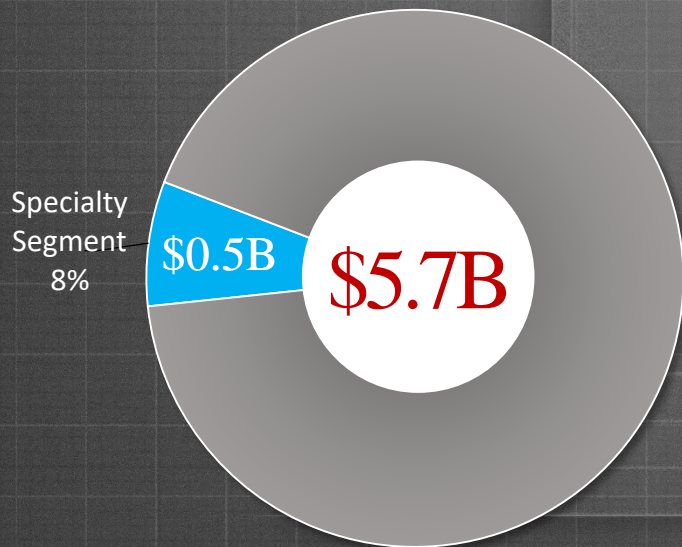


# SPECIALTY INSURANCE

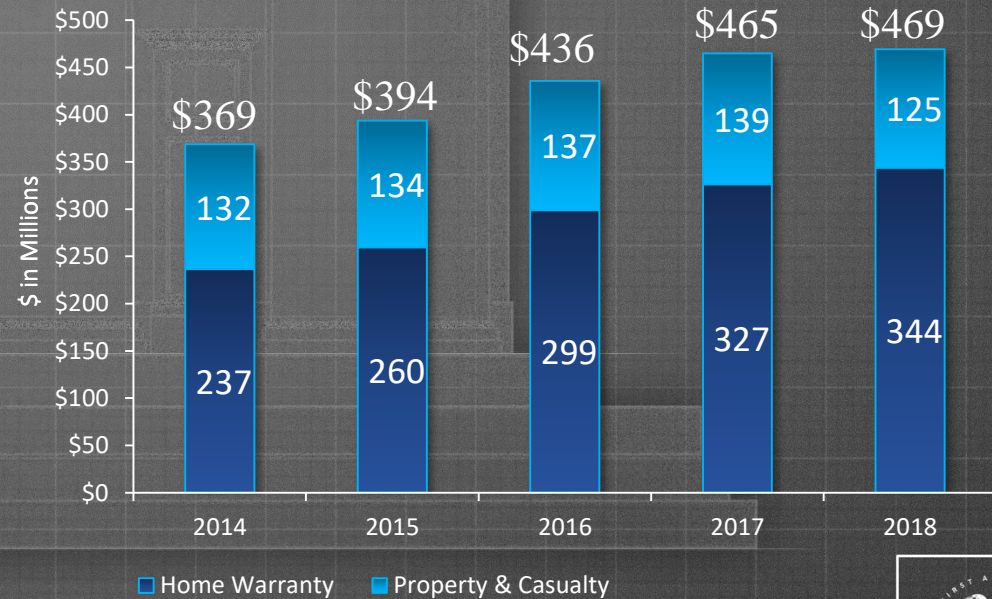
PROPERTY & CASUALTY

HOME WARRANTY

First American Financial Total Revenue



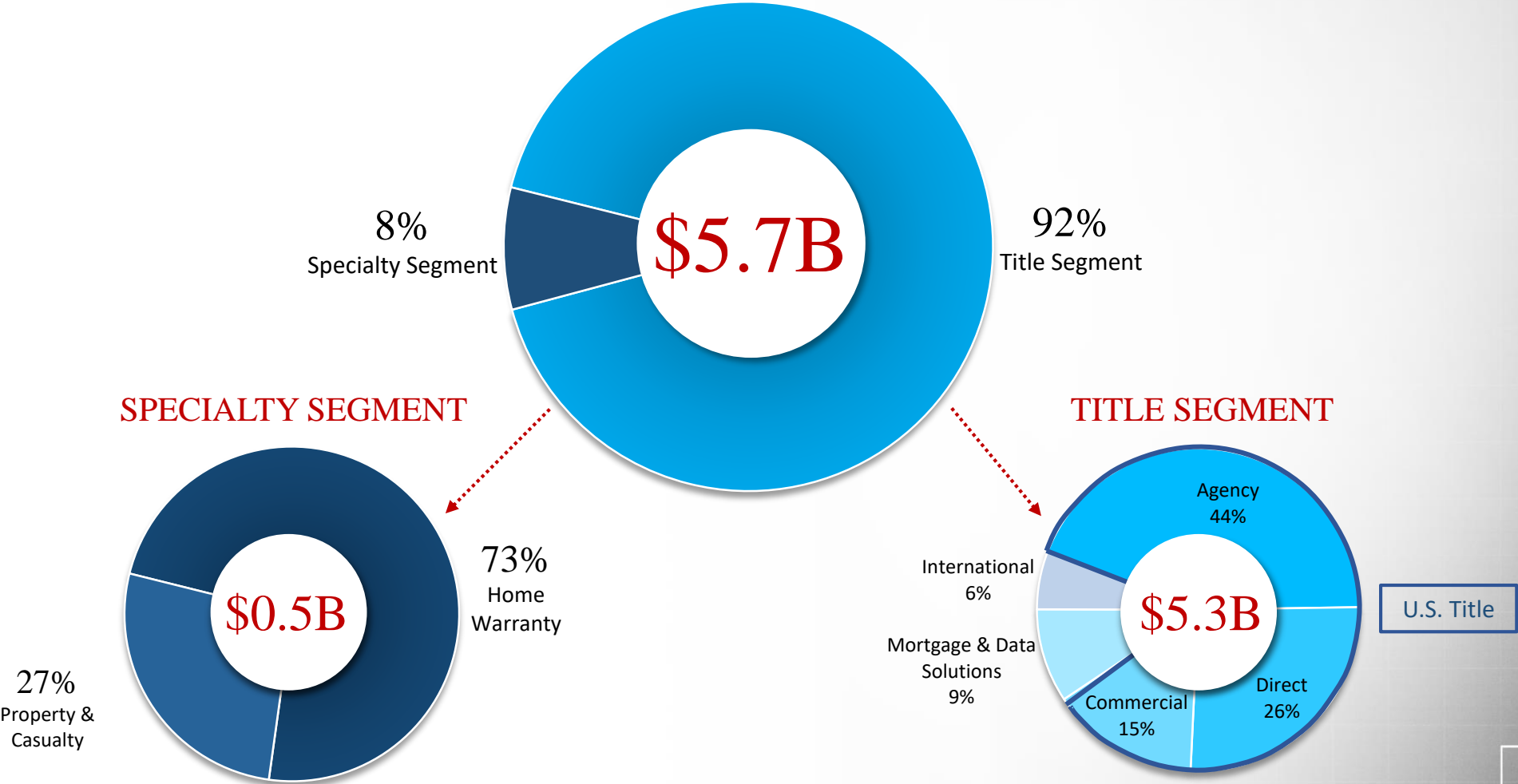
Total Revenue Trend



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# 2018 Revenue Breakdown

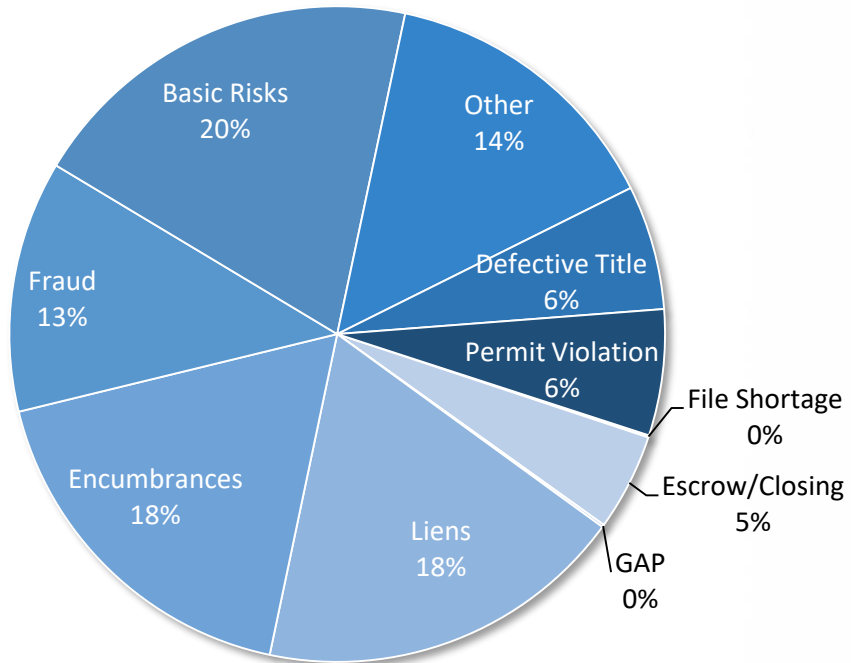
## FIRST AMERICAN FINANCIAL



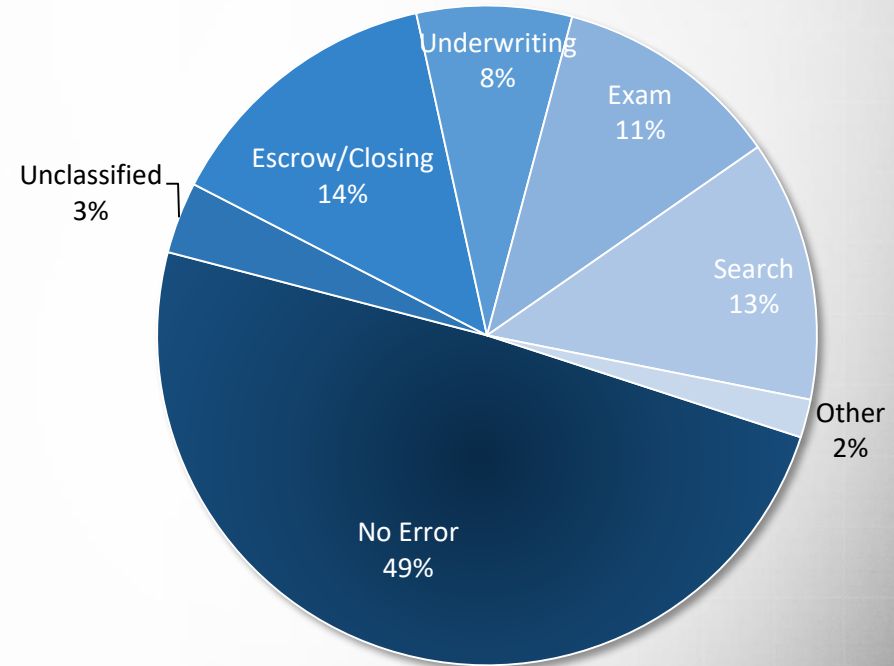
22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# 2018 Incurred Claims Detail

## CLAIM CAUSE



## PROCESS CAUSE

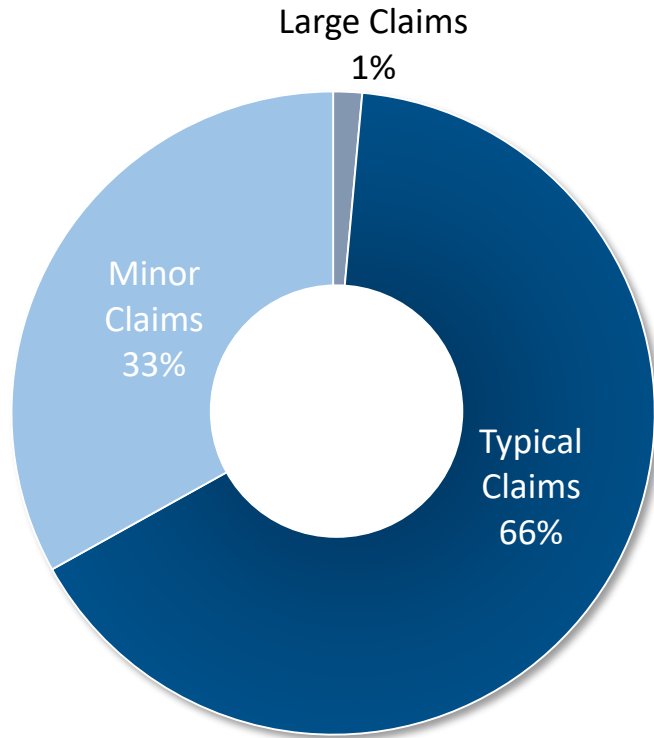


49% Direct / 51% Agent

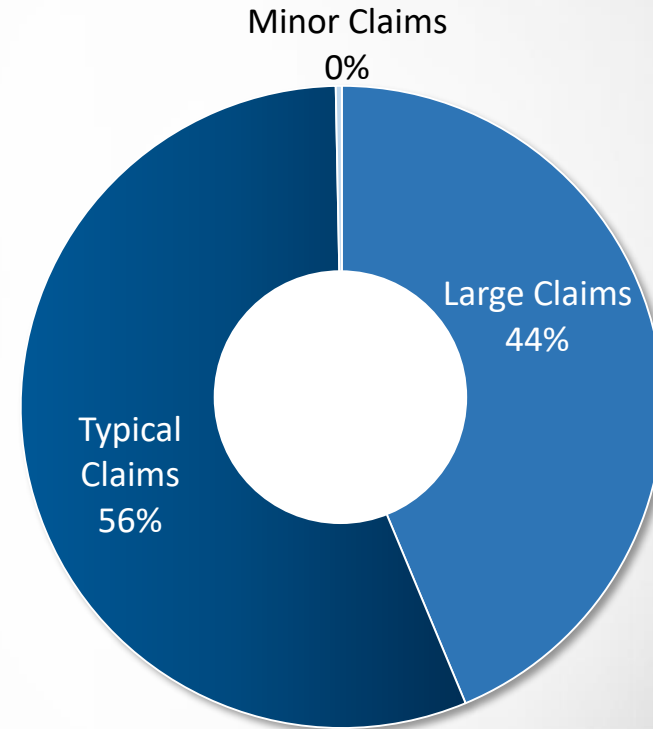


# Claim Severity Distribution

## CLAIM COUNT BY SEVERITY GROUP



## PAID CLAIMS BY SEVERITY GROUP



■ Large claims: \$250,000 and greater   ■ Typical claims: \$1,000 to \$250,000   ■ Minor claims: Less than \$1,000

# Title Segment Net Investment Income Reconciliation

## Net Investment Income Less Affiliate Investments

\$ in Millions	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18
Net Investment Income	\$21.8	\$26.0	\$25.4	\$24.4	\$24.9	\$27.5	\$29.0	\$29.4	\$26.6	\$34.7	\$37.9	\$38.3	\$41.4	\$51.7	\$60.9	\$69.3
Less: Affiliate Investments	1.1	3.7	2.8	0.1	0.9	2.1	2.8	2.4	1.6	1.8	1.1	(0.8)	(0.3)	1.0	1.5	0.5
Adjusted Net Investment Income	\$20.6	\$22.2	\$22.6	\$24.3	\$24.0	\$25.4	\$26.2	\$27.0	\$25.0	\$32.9	\$36.8	\$39.0	\$41.7	\$50.7	\$59.3	\$68.8

	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14
Net Investment Income	\$19.0	\$21.6	\$22.2	\$13.8	\$15.7	\$19.3	\$22.0	\$2.7
Less: Affiliate Investments	2.7	4.5	4.1	(3.9)	(2.0)	0.3	2.8	(17.6)
Adjusted Net Investment Income	\$16.3	\$17.1	\$18.2	\$17.7	\$17.7	\$19.0	\$19.2	\$20.3

22" SQUARE PEDESTAL  
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