

# FIRST AMERICAN FINANCIAL

## Barclays Americas Select Franchise Virtual Conference

May 18, 2021

Leadership  
Integrity  
Commitment  
Teamwork  
Service



*First American*

# Safe Harbor Statement

CERTAIN STATEMENTS MADE IN THIS PRESENTATION AND ANY RELATED MANAGEMENT COMMENTARY CONTAIN, AND RESPONSES TO INVESTOR QUESTIONS MAY 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; THE CORONAVIRUS PANDEMIC AND RESPONSES THERETO; IMPAIRMENTS IN THE COMPANY'S GOODWILL OR OTHER INTANGIBLE ASSETS; UNCERTAINTY FROM THE EXPECTED DISCONTINUANCE OF LIBOR AND TRANSITION TO ANY OTHER INTEREST RATE BENCHMARK; FAILURES AT FINANCIAL INSTITUTIONS WHERE FIRST AMERICAN FINANCIAL CORPORATION (THE "COMPANY") DEPOSITS FUNDS; REGULATORY OVERSIGHT AND CHANGES IN APPLICABLE LAWS AND GOVERNMENT REGULATIONS, INCLUDING DATA PRIVACY AND DATA PROTECTION; HEIGHTENED SCRUTINY BY LEGISLATORS AND REGULATORS OF THE COMPANY'S TITLE INSURANCE AND SERVICES SEGMENT AND CERTAIN OTHER OF THE COMPANY'S BUSINESSES; REGULATION OF TITLE INSURANCE RATES; LIMITATIONS ON ACCESS TO PUBLIC RECORDS AND OTHER DATA; CLIMATE CHANGE, HEALTH CRISES, SEVERE WEATHER CONDITIONS AND OTHER CATASTROPHIC EVENTS; 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 OR OTHER INVESTMENTS; 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, CYBERATTACKS 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 FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE COMPANY'S QUARTERLY REPORT FOR THE FISCAL QUARTER ENDED MARCH 31, 2021, EACH AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. 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.



# Use of non-GAAP Financial Measures

*THIS PRESENTATION AND RELATED MANAGEMENT COMMENTARY CONTAIN CERTAIN FINANCIAL MEASURES THAT ARE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), INCLUDING AN ADJUSTED DEBT TO CAPITALIZATION RATIO, PERSONNEL AND OTHER OPERATING EXPENSE RATIOS; SUCCESS RATIOS; NET OPERATING REVENUES; AND ADJUSTED REVENUES, ADJUSTED INVESTMENT INCOME, ADJUSTED PRETAX INCOME, ADJUSTED EARNINGS PER SHARE, AND ADJUSTED PRETAX MARGINS FOR THE COMPANY, ITS TITLE INSURANCE AND SERVICES SEGMENT AND ITS SPECIALTY INSURANCE SEGMENT. ADJUSTED INVESTMENT INCOME EXCLUDES AFFILIATED INVESTMENTS AND IS PRESENTED BECAUSE IT PROVIDES THE COMPANY'S MANAGEMENT AND INVESTORS WITH A BETTER UNDERSTANDING OF THE IMPACT OF INTEREST RATES ON THE COMPANY'S INVESTMENT INCOME OVER TIME. THE COMPANY IS PRESENTING THESE OTHER NON-GAAP FINANCIAL MEASURES BECAUSE THEY PROVIDE THE COMPANY'S MANAGEMENT AND INVESTORS WITH ADDITIONAL INSIGHT INTO THE FINANCIAL LEVERAGE, OPERATIONAL EFFICIENCY AND PERFORMANCE OF THE COMPANY RELATIVE TO EARLIER PERIODS AND RELATIVE TO THE COMPANY'S COMPETITORS. THE COMPANY DOES NOT INTEND FOR THESE NON-GAAP FINANCIAL MEASURES TO BE A SUBSTITUTE FOR ANY GAAP FINANCIAL INFORMATION. IN THIS PRESENTATION OR IN THE COMPANY'S FORM 8-K FILED ON APRIL 22, 2021 WITH THE SECURITIES AND EXCHANGE COMMISSION, 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.*

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



First American

# AGENDA

.....→ Strong Track Record of Results

Favorable Market Conditions

Consistent Strategy and Capital Management Priorities



# Leader in the Title and Settlement Services Industry

**\$7.1B** Total Revenue

**19,600** Employees

**92%** of Revenue, Title Segment

**23.3%** Title Market Share

**760** Offices

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

**\$12.8B** Total Assets

**8** Countries

Trusted National Brand

Largest Title Plant and Property Record Database

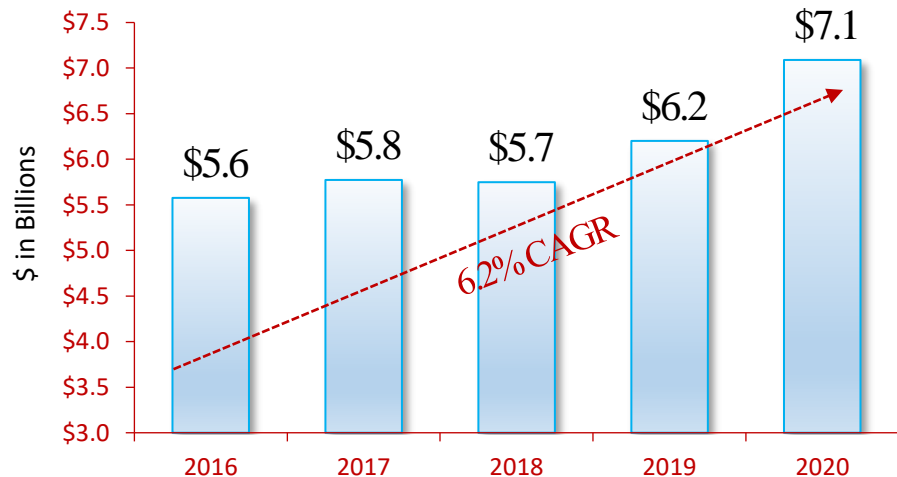
*Fortune* 100 Best Companies to Work For®  
6 Years in a Row (2016 – 2021)

Note: Revenue and market share data for 2020. All other data as of December 31, 2020.  
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FORTUNE and FORTUNE Media IP Limited are not affiliated with, and do not endorse products or services of, First American Financial Corporation.

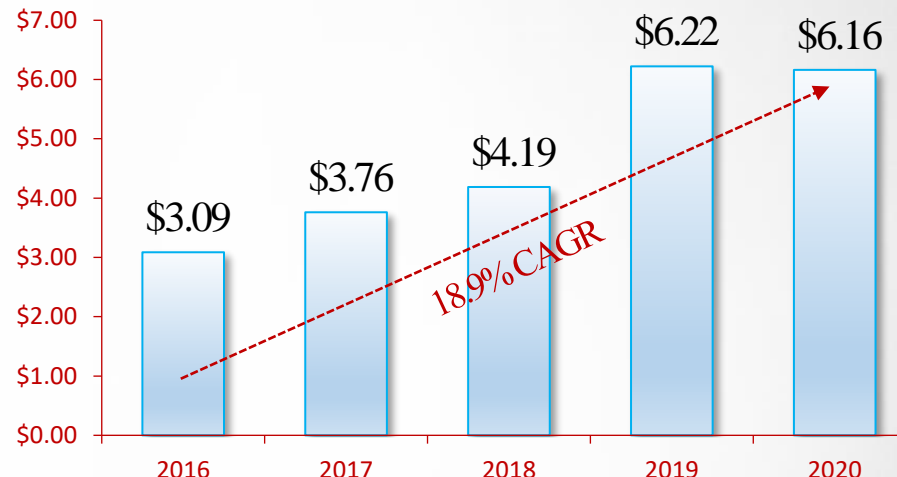


# Past 5 Years: Achieved Strong Financial Results

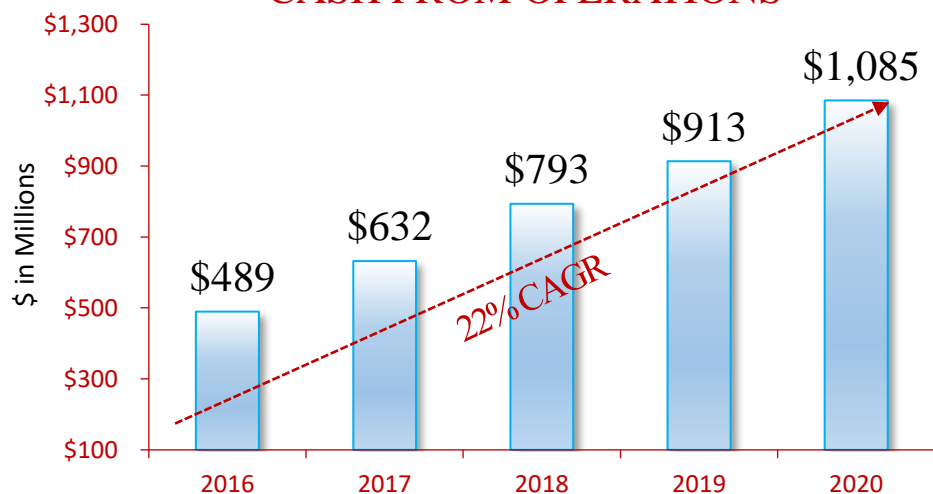
## TOTAL REVENUE



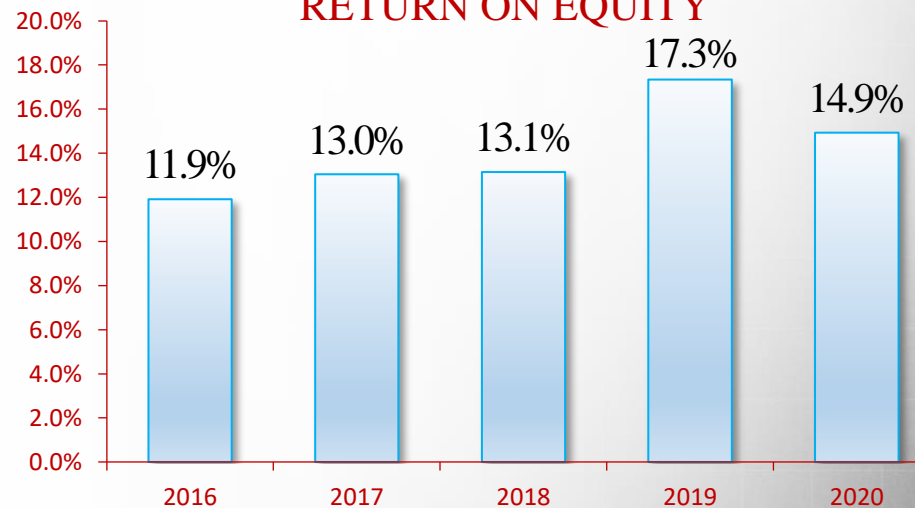
## EARNINGS PER SHARE



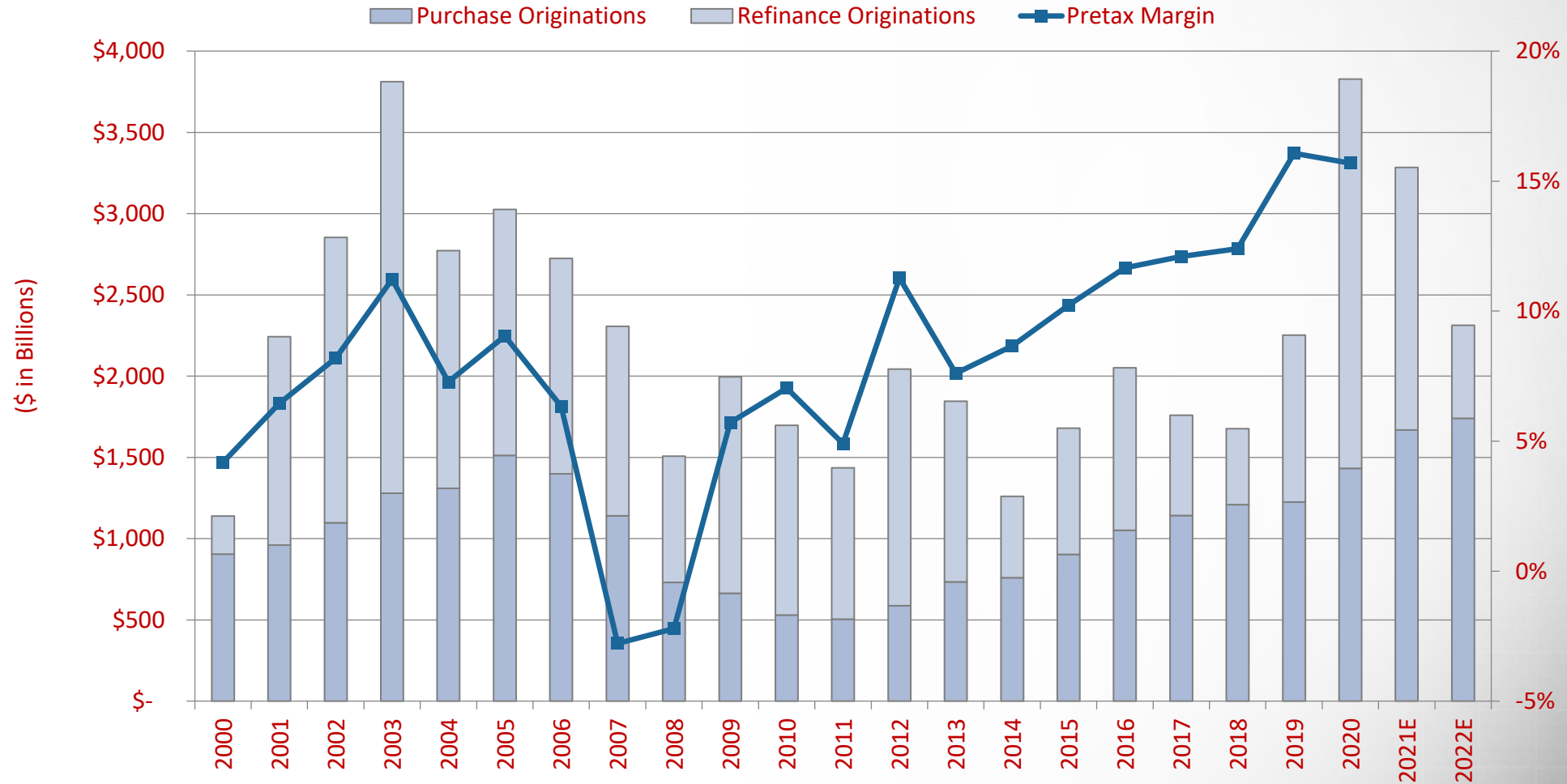
## CASH FROM OPERATIONS



## RETURN ON EQUITY



# Historical Title Insurance Margin



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33" SQUARE PEDESTAL

# AGENDA

Strong Track Record of Results

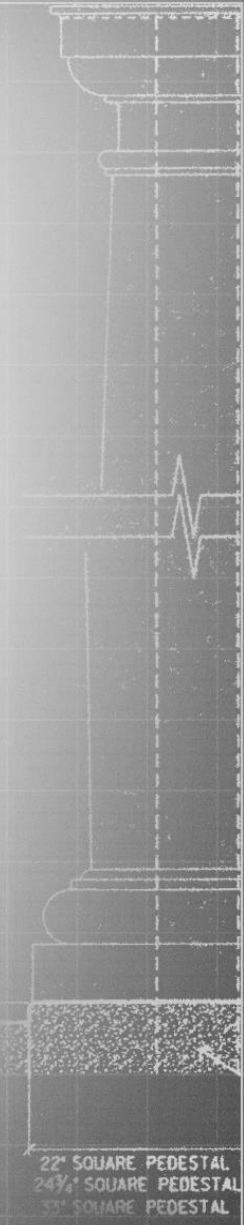
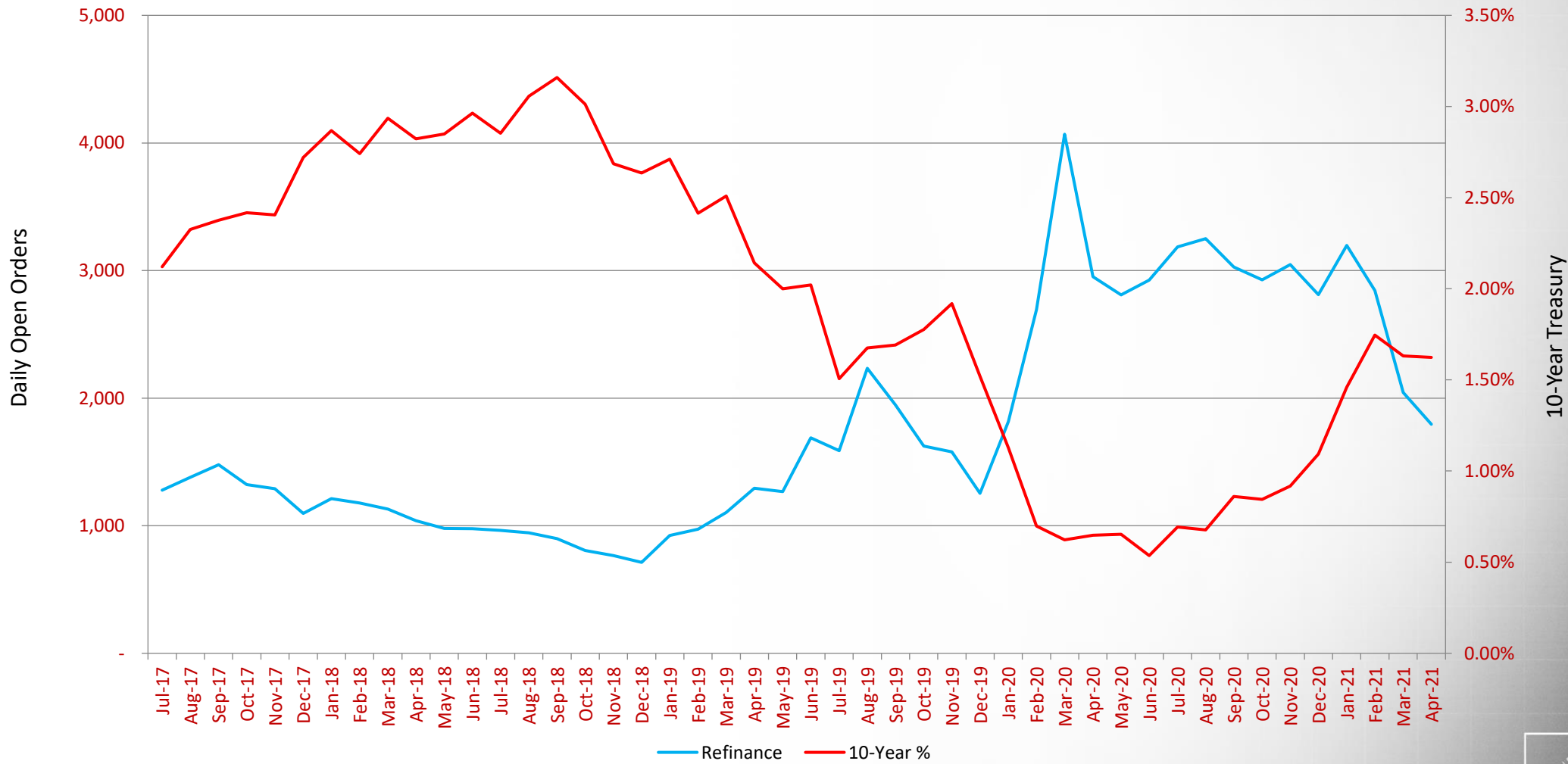


Favorable Market Conditions

Consistent Strategy and Capital Management Priorities

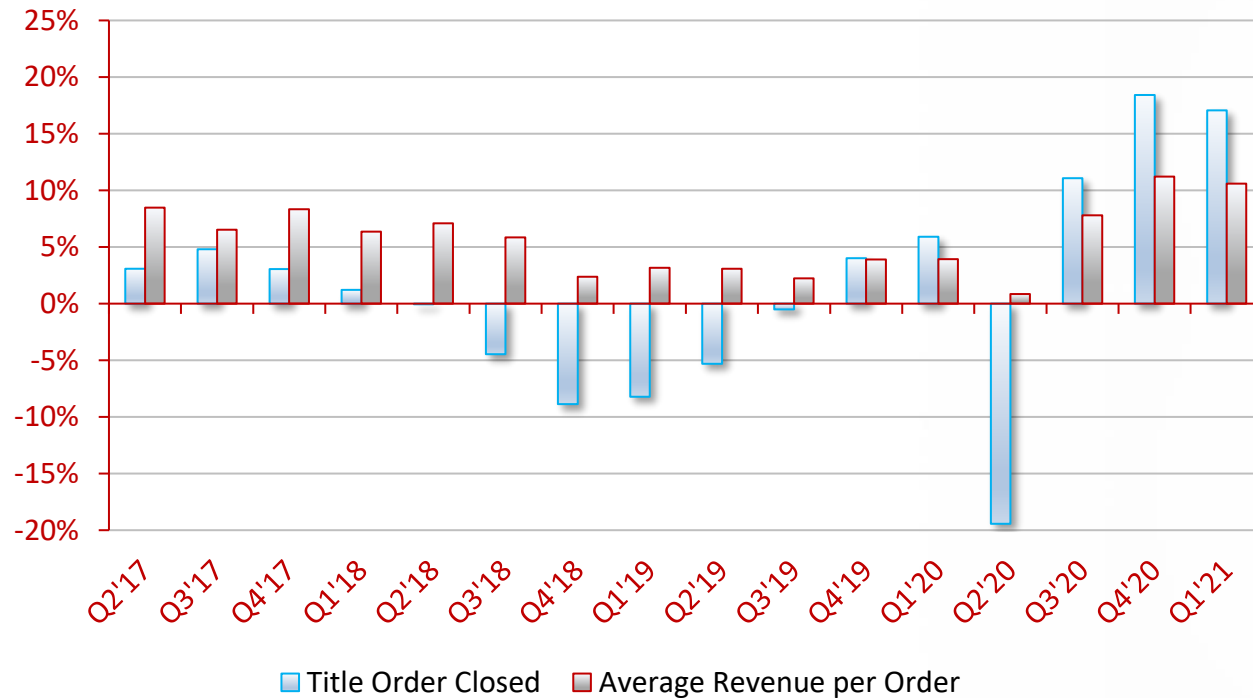


# Low Mortgage Rates Support Elevated Refinance Activity



# Strong Growth in the Purchase Market

## GROWTH RATE vs. PRIOR YEAR



## Purchase Market

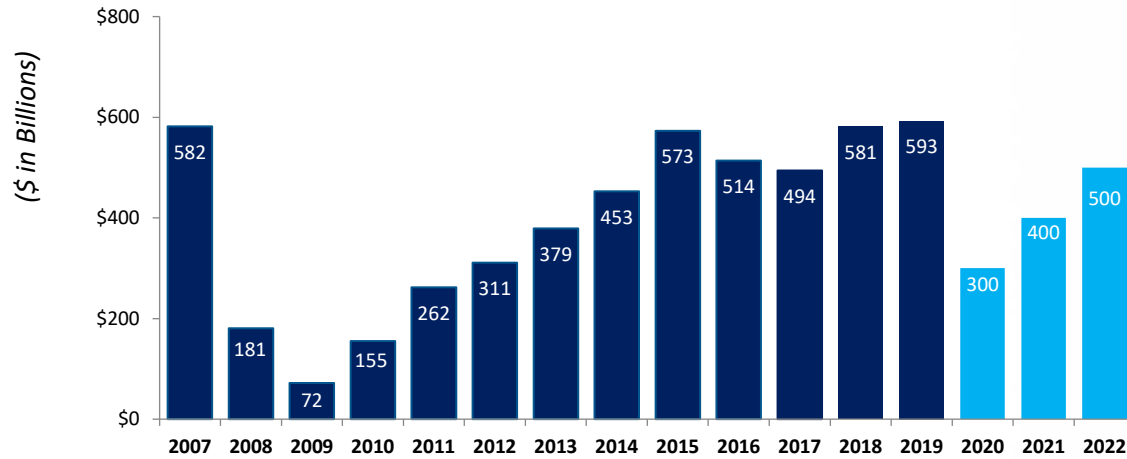
- Strong market demand produced a V-shape recovery in housing during the pandemic
  - Mortgage rates low
  - Favorable demographics
  - Pandemic triggered transactions
  - Home price appreciation brisk
  - Inventory remains an issue

## First American Operations

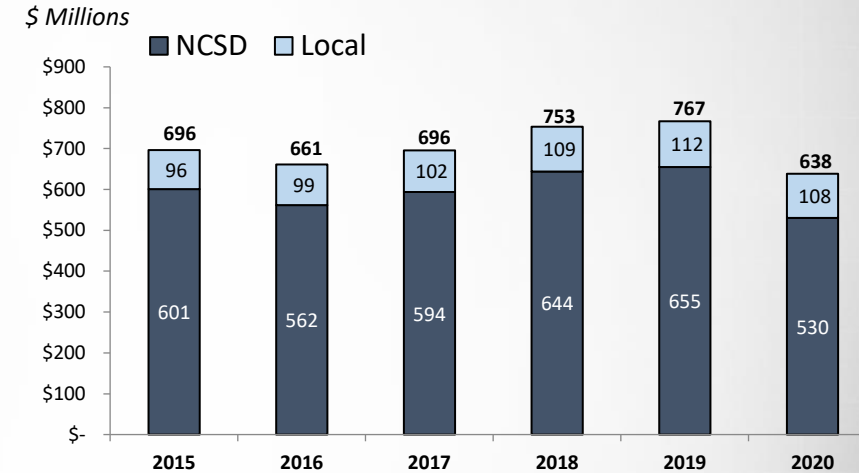
- ~550 local offices focused on purchase
- Leading homebuilder business
- Fee per file ~2.5x refinance

# Commercial Volumes Accelerating

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



## FAF Direct Revenues



## Commercial - Current Trend and Outlook

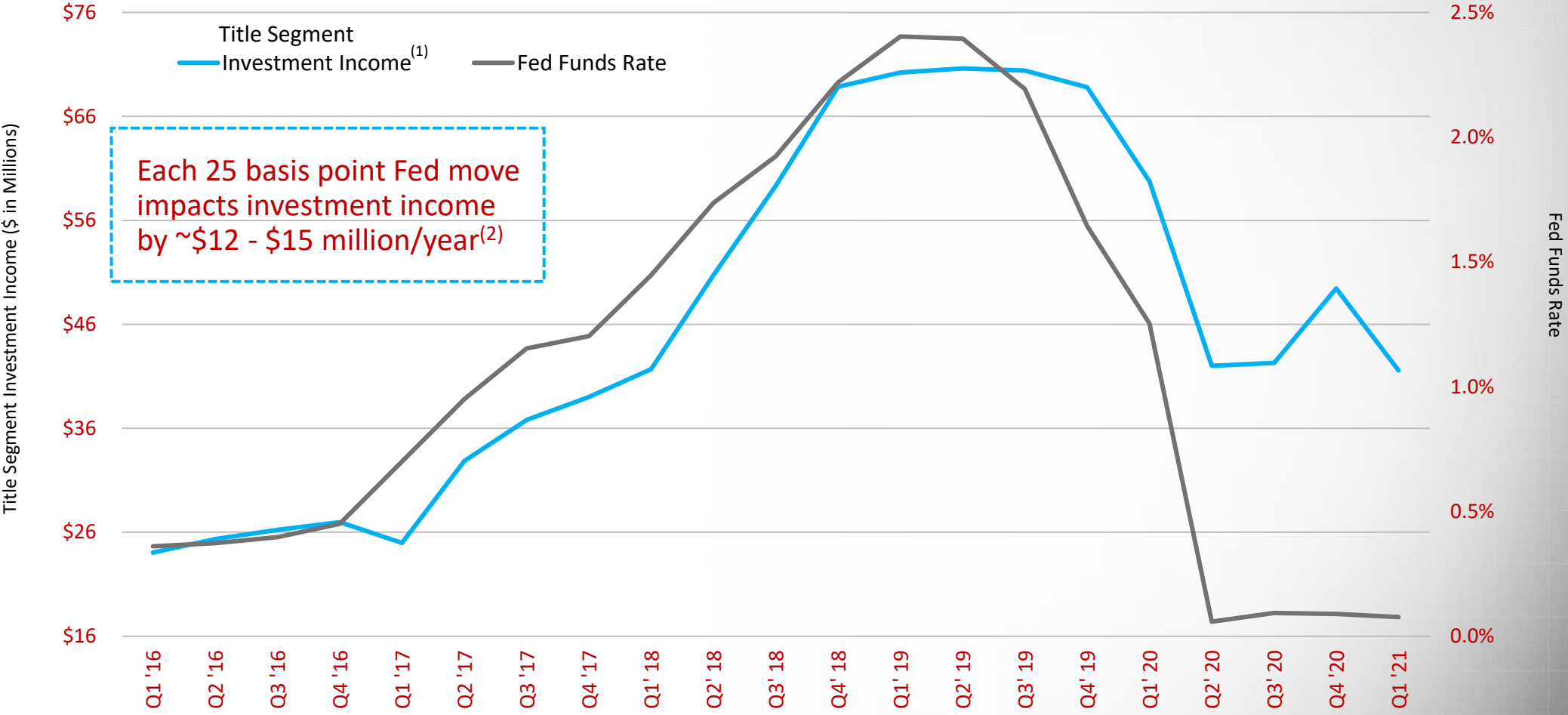
- Revenue growth restored in 1Q, the first time since the pandemic set in
- Pipeline is strong and beginning to see the return of large transactions
- Seeing wide disparity in health of different asset classes and geographic markets
  - Few distressed sales taking place so far
- Capital availability and low interest rates continue to support market and incentivize buyers

(1) Source: Real Capital Analytics ULI Real Estate Economic Forecast October 2020 (includes purchase transactions over \$2.5 million only)



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

# Investment Income Now at Trough Levels



Each 25 basis point Fed move impacts investment income by ~\$12 - \$15 million/year<sup>(2)</sup>

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



# AGENDA

Strong Track Record of Results

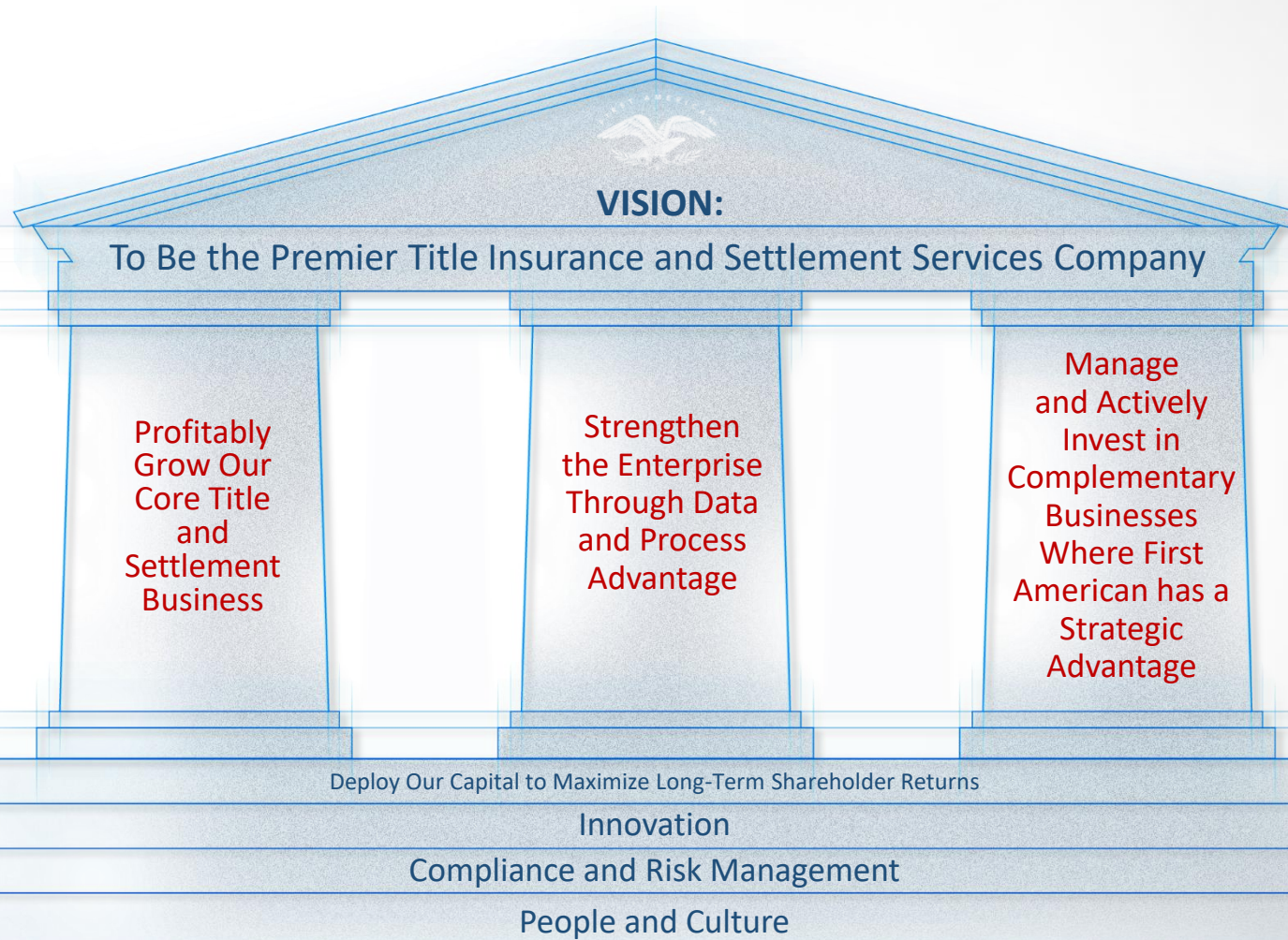
Favorable Market Conditions



**Consistent Strategy and Capital Management Priorities**



# First American Strategy



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

# Profitably Grow our Core Title and Settlement Business

## Pillar 1 Strategic priorities



- **Sustain leadership in Title – focusing on top 10 states**
  - Maintain and grow profitable market share
  - Drive digital transformation
  - Develop value-added services that strengthen customer relationships
- **Win with emerging customers**

Be the preferred title company for next-generation real estate companies
- **Grow interest income**

Provide banking services to our agents to improve their risk profile and our returns

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24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL



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# Strengthen the Enterprise through Data and Process Advantage

## Pillar 2 Strategic priorities



- **Further develop data advantage**  
Expand coverage of property data elements and geographies
- **Achieve market-leading title automation**  
Leverage data advantage together with data science capability
- **Find new businesses that can leverage our data**  
Determine innovative and meaningful ways to monetize our data
- **Grow licensing and online data visualization organically**  
Leverage position in market to meet the growing data needs from customers

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# FAF has Strongest Data Foundation in the Industry



|                                | No. of counties | Population (%) | Market position       |
|--------------------------------|-----------------|----------------|-----------------------|
| Assessor/property ownership    | 3,141           | 100            | 1 <sup>st</sup>       |
| Proprietary title plants       | 564             | 60             | 1 <sup>st</sup>       |
| Deeds, Mortgages, Foreclosures | 3,102           | 99             | 1 <sup>st</sup>       |
| Assignments and releases       | 2,304           | 96             | 1 <sup>st</sup>       |
| Parcel Boundaries              | 3,056           | 99             | 1 <sup>st</sup>       |
| Homeowner associations         | 2,714           | 99             | 1 <sup>st</sup>       |
| Active real estate listings    | 880K            | 85             | 1 <sup>st</sup> (tie) |
| Document images (7.2B total)   | 1,556           | 83             | 1 <sup>st</sup>       |

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# Manage and Actively Invest in Complementary Businesses where First American has a Strategic Advantage

## Pillar 3 Strategic priorities



- **Grow Home Warranty**

Accelerate direct-to-consumer growth while maintaining strong operating margins

- **Grow international business in core geographies**

Invest for long-term growth in Canada, Europe, and Australia

- **Seek out new opportunities**

Enter adjacent businesses where First American has a strategic advantage

- **Wind down of the Property & Casualty (P&C) business progressing on schedule with completion due Q3 2022**

Redeploy capital to areas with higher expected returns

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# Capital Management Strategy

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

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



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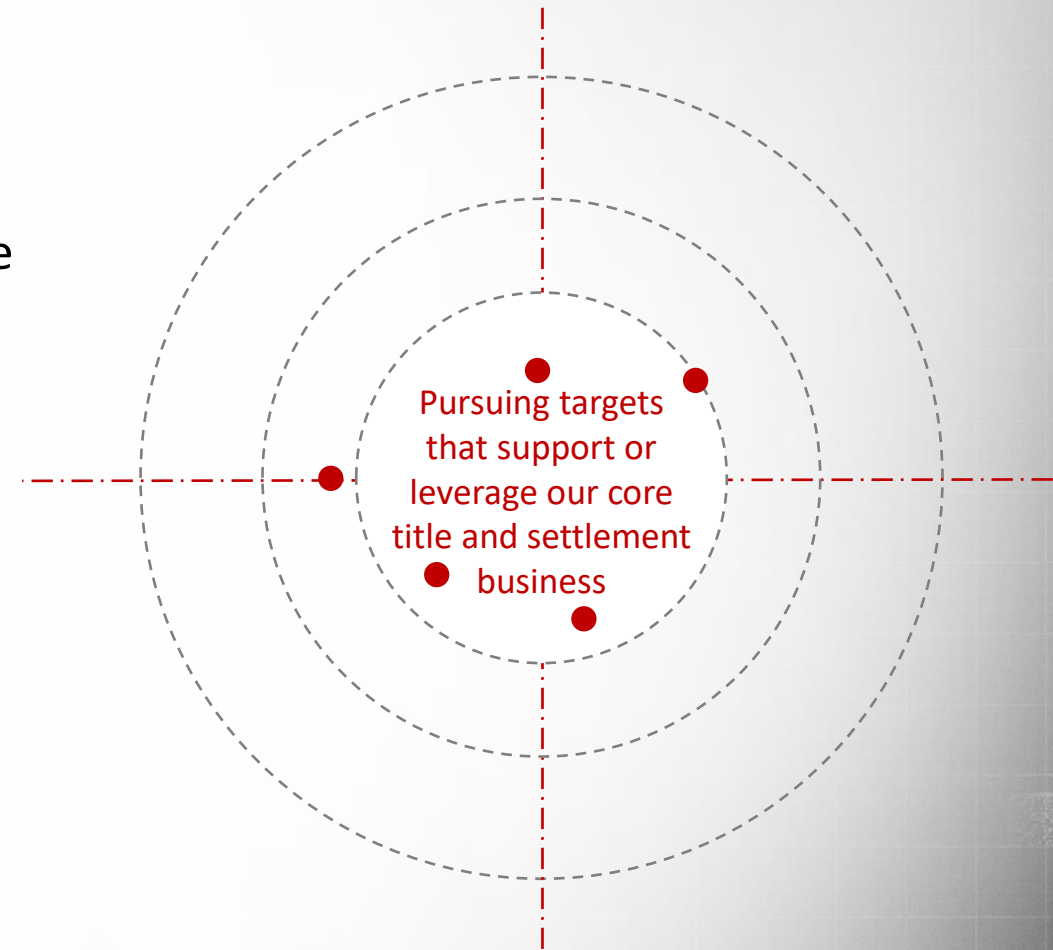
# Disciplined M&A Strategy Drives Growth

## Focused Strategy

- Title companies that expand our footprint in key markets
- Data and information companies that enhance our data capabilities or advance title automation
- Opportunities complementary to title

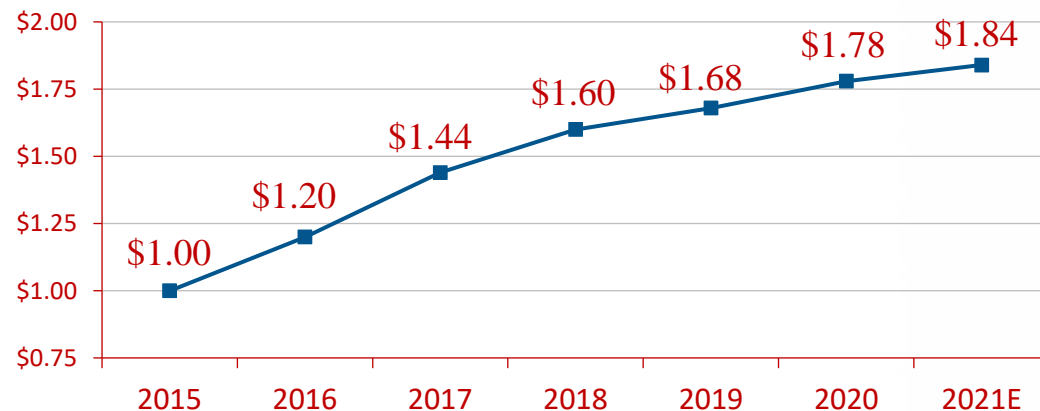
## Disciplined Process

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

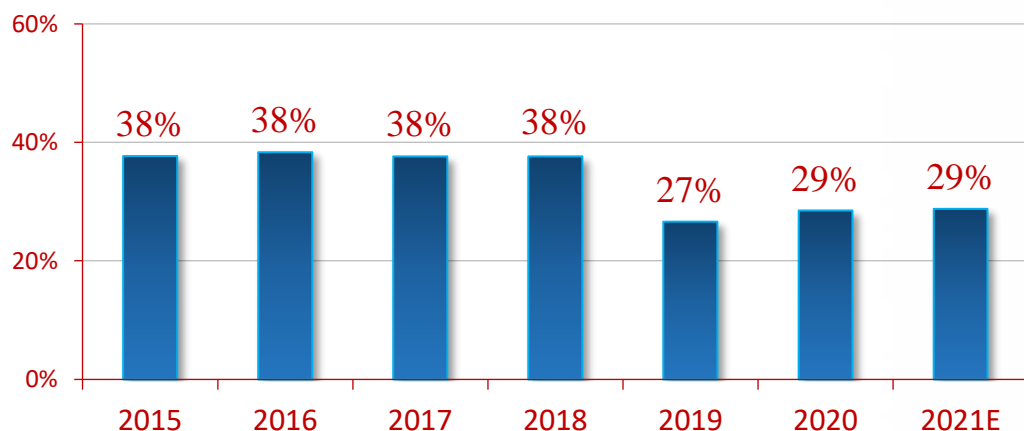


# Dividends

## 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

# Investment Considerations

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- 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)
- Venture investments creating strategic and financial benefit
- Strong balance sheet with ample liquidity and financial flexibility
- Commitment to return capital to shareholders

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24" SQUARE PEDESTAL  
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# APPENDIX



# Title Segment Net Investment Income Non-GAAP Reconciliation

## Net Investment Income Less Affiliate Investments

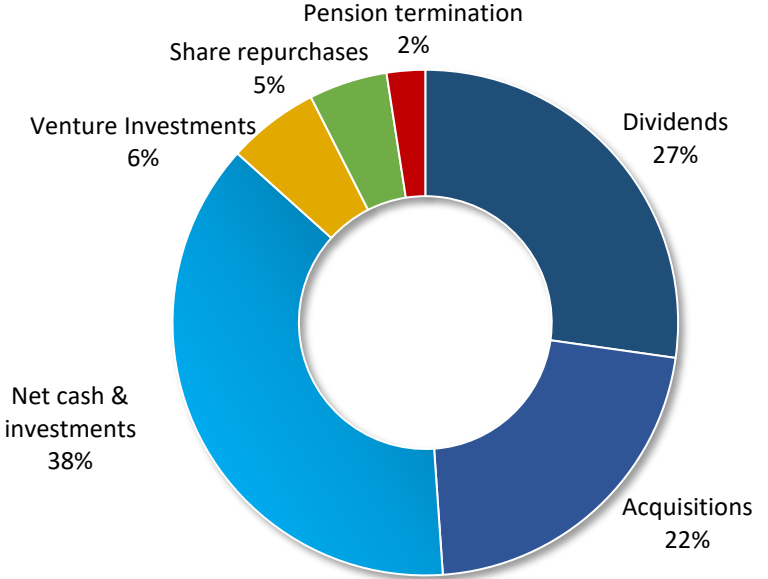
| \$ in Millions                 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | Q1 '18 | Q2 '18 | Q3 '18 | Q4 '18 | Q1 '19 | Q2 '19 | Q3 '19 | Q4 '19 | Q1 '20 | Q2 '20 | Q3 '20 | Q4 '20 | Q1 '21 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net Investment Income          | \$26.6 | \$34.7 | \$37.9 | \$38.3 | \$41.4 | \$51.7 | \$60.9 | \$69.3 | \$70.1 | \$71   | \$72   | \$69.8 | \$59.7 | \$43.2 | \$44.7 | \$51.6 | \$42.7 |
| Less: Affiliate Investments    | 1.6    | 1.8    | 1.1    | (0.8)  | (0.3)  | 1.0    | 1.5    | 0.5    | (0.2)  | 0.3    | 1.6    | 1.0    | (0.1)  | 1.2    | 2.4    | 2.2    | 1.1    |
| Adjusted Net Investment Income | \$25.0 | \$32.9 | \$36.8 | \$39.0 | \$41.7 | \$50.7 | \$59.3 | \$68.8 | \$70.2 | \$70.6 | \$70.4 | \$68.8 | \$59.8 | \$42.0 | \$42.3 | \$49.4 | \$41.6 |

|                                | Q1 '14 | Q2 '14 | Q3 '14 | Q4 '14 | Q1 '15 | Q2 '15 | Q3 '15 | Q4 '15 | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net Investment Income          | \$15.7 | \$19.3 | \$22.0 | \$2.7  | \$21.8 | \$26.0 | \$25.4 | \$24.4 | \$24.9 | \$27.5 | \$29.0 | \$29.4 |
| Less: Affiliate Investments    | (2.0)  | 0.3    | 2.8    | (17.6) | 1.1    | 3.7    | 2.8    | 0.1    | 0.9    | 2.1    | 2.8    | 2.4    |
| Adjusted Net Investment Income | \$17.7 | \$19.0 | \$19.2 | \$20.3 | \$20.6 | \$22.2 | \$22.6 | \$24.3 | \$24.0 | \$25.4 | \$26.2 | \$27.0 |

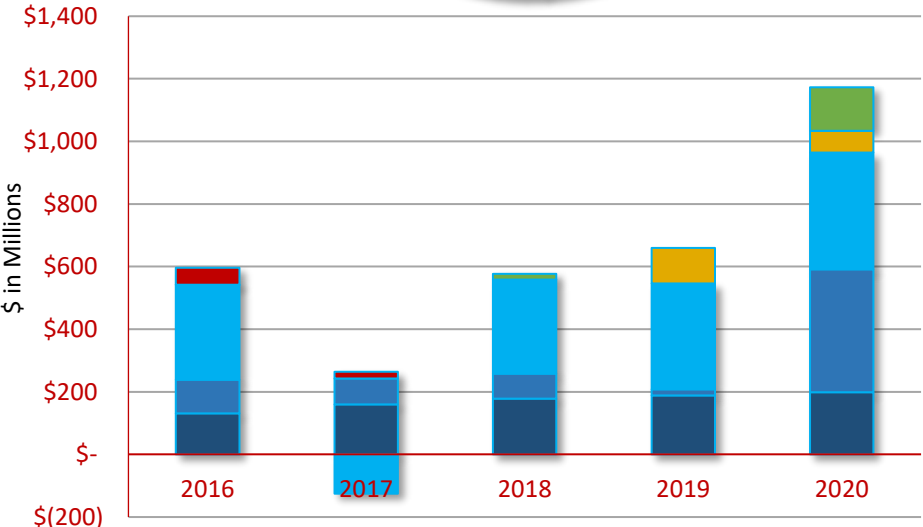
22" SQUARE PEDESTAL  
24" SQUARE PEDESTAL  
33" SQUARE PEDESTAL

# Uses of Free Cash Flow and Debt Proceeds

## CUMULATIVE 5 YEAR USES

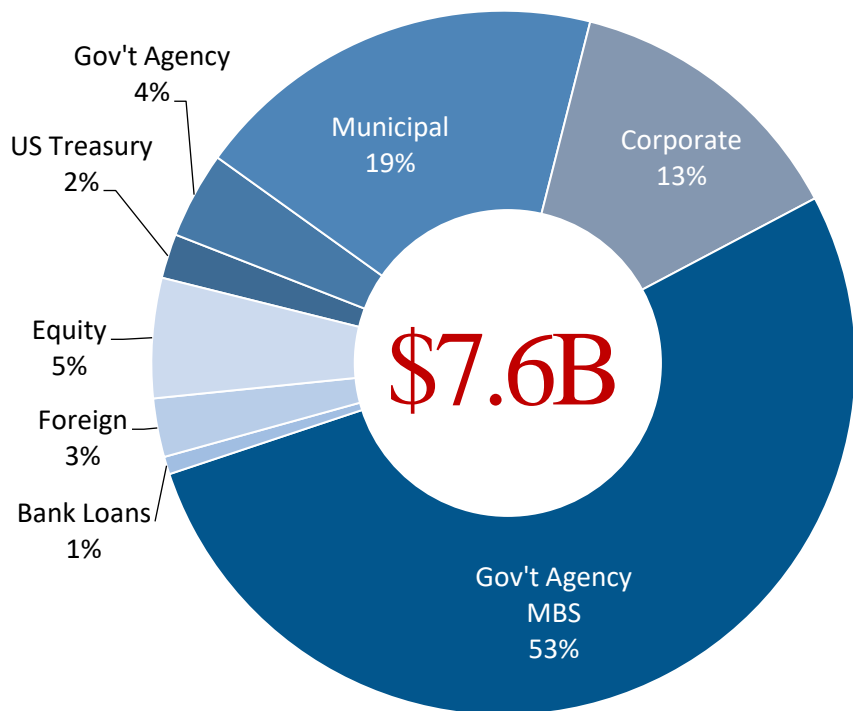


- 38% of cash flow went into the investment portfolio to strengthen the balance sheet
- Moving forward, further balance sheet strengthening not necessary as capital levels exceed current targets



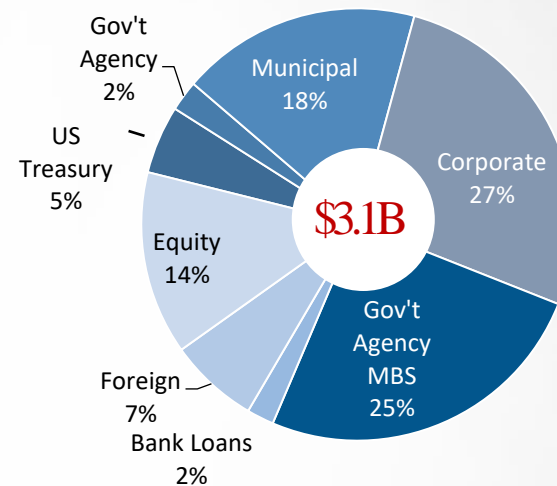
# Investment Portfolio

## CONSOLIDATED PORTFOLIO



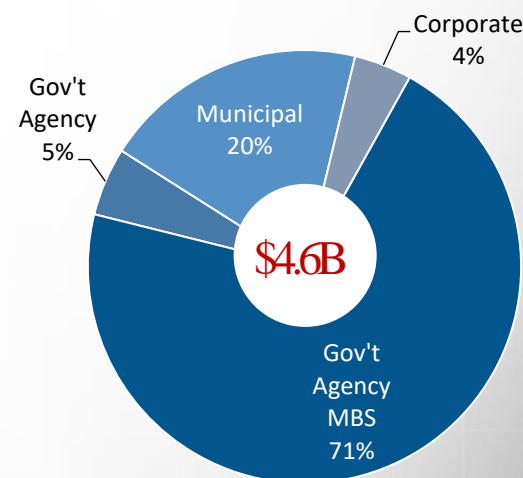
**Avg. Rating :** AA  
**Duration:** 4.6 yrs.  
**Book Yield:** 2.0%

## INSURANCE PORTFOLIO



**Avg. Rating :** A+  
**Duration:** 5.3 yrs.  
**Book Yield:** 2.5%

## BANK PORTFOLIO



**Avg. Rating :** AA+  
**Duration:** 4.5 yrs.  
**Book Yield:** 1.7%

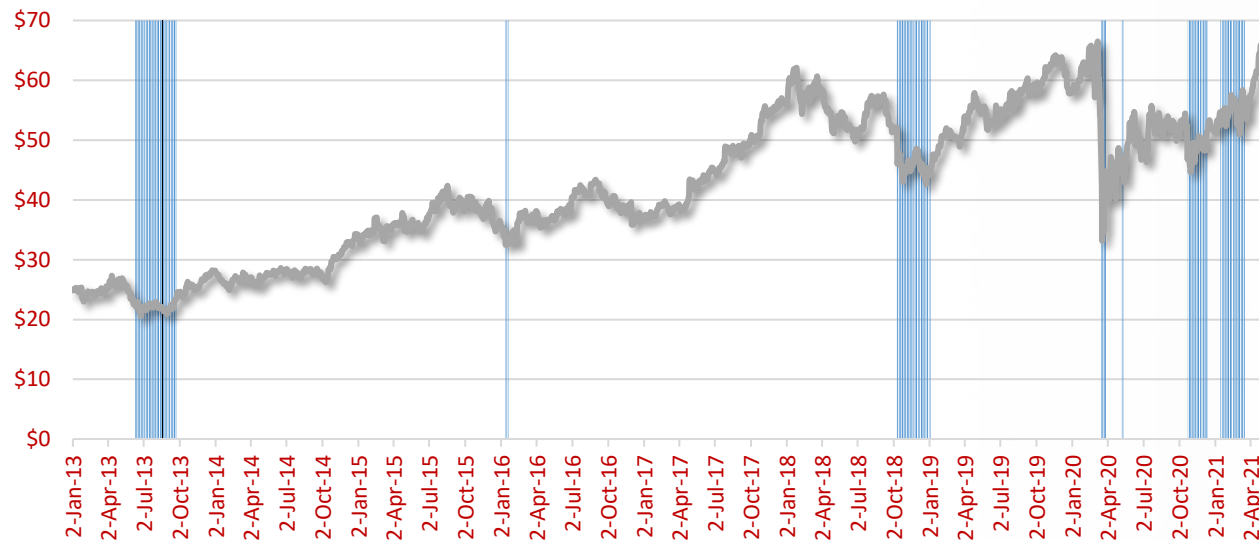
# Capital Structure

| As of March 31, 2021 (\$ in Millions)              |                |
|--|----------------|
| 4.3% Senior Notes Due 2023                         | \$249          |
| 4.6% Senior Notes Due 2024                         | \$299          |
| 4.0% Senior Notes Due 2030                         | \$444          |
| Trust Deed Notes                                   | \$11           |
| Other Notes  | \$6            |
| Revolving Credit Facility                          | \$0            |
| Notes and Contracts Payable                        | \$1,009        |
| Secured Financings Payable (SFP)                   | \$646          |
| <b>Total Debt</b>                                  | <b>\$1,655</b> |
| <b>Total Equity</b>                                | <b>\$4,966</b> |
| <b>Debt-to-Total Capital Ratio</b>                 | <b>25.0%</b>   |
| <b>Debt-to-Total Capital Ratio (excluding SFP)</b> | <b>16.9%</b>   |

- Management targets debt-to-capital ratio of 18-20% (excluding secured financings payable)
  - Supports target financial strength ratings
- \$700 million revolving credit facility 100% undrawn
  - Credit facility term ends in April 2024
- Significant financial flexibility to seize strategic opportunities

# Share Repurchases

## SHARE REPURCHASE HISTORY



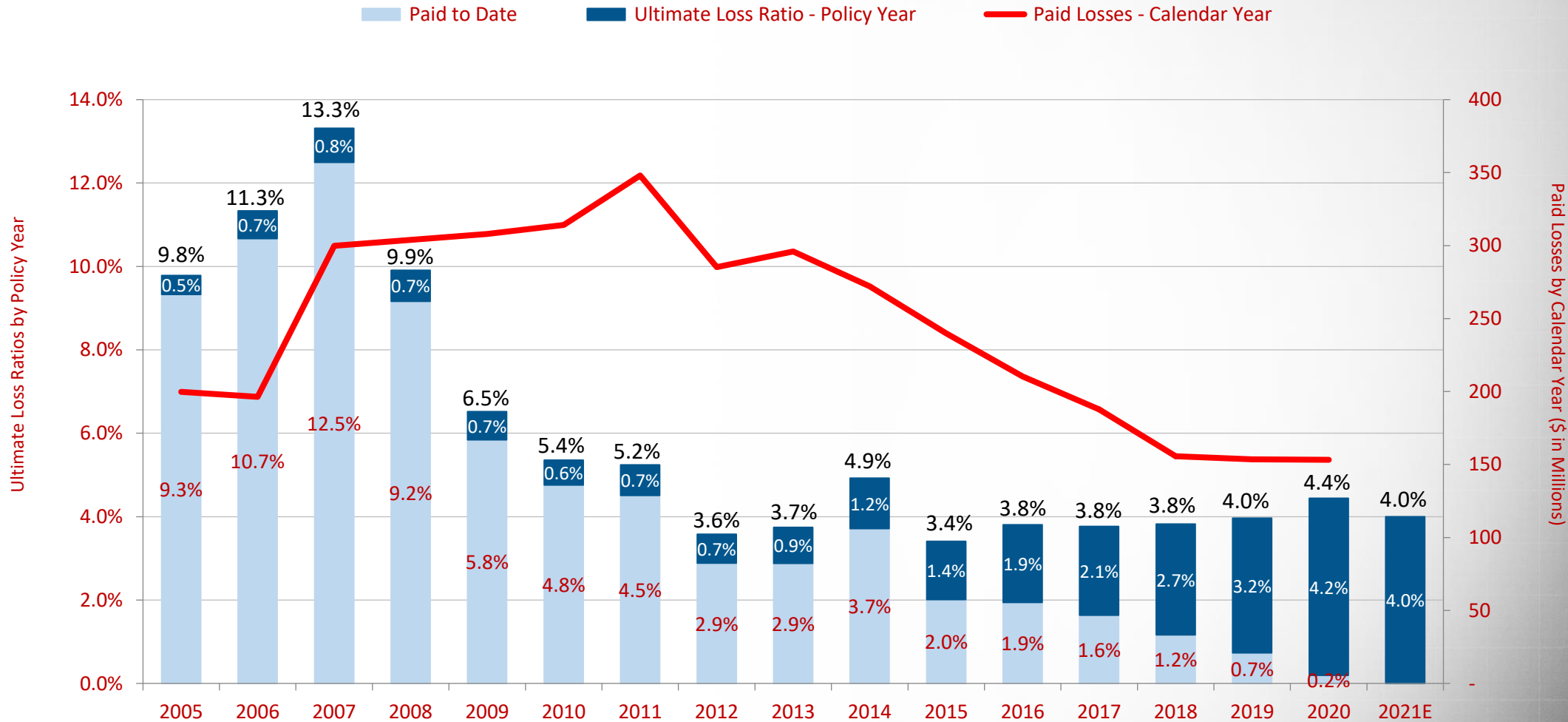
- Share repurchases will be dependent upon capital levels, market conditions and alternative uses of capital, among other factors
- \$300 million new share repurchase authorization approved by board of directors in November with \$177.2 million remaining as of 3/31/21

### Repurchase Summary

|                      | <u>2013</u>    | <u>2018/2019</u> | <u>2020</u>     | <u>2021</u>          |
|----------------------|----------------|------------------|-----------------|----------------------|
| Shares purchased     | 3.0 million    | 0.5 million      | 3.2 million     | 1.2 million          |
| Total amount         | \$64.5 million | \$20.9 million   | \$138.6 million | \$64.8 million       |
| Avg. price per share | \$21.87        | \$44.20          | \$38.64         | \$52.86              |
| IRR                  | 15.8%          | 15.2%            | 34.6%           | 21.7% <sup>(1)</sup> |

<sup>(1)</sup> Q1'21 YTD return

# Ultimate Loss Ratios by Policy Year



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

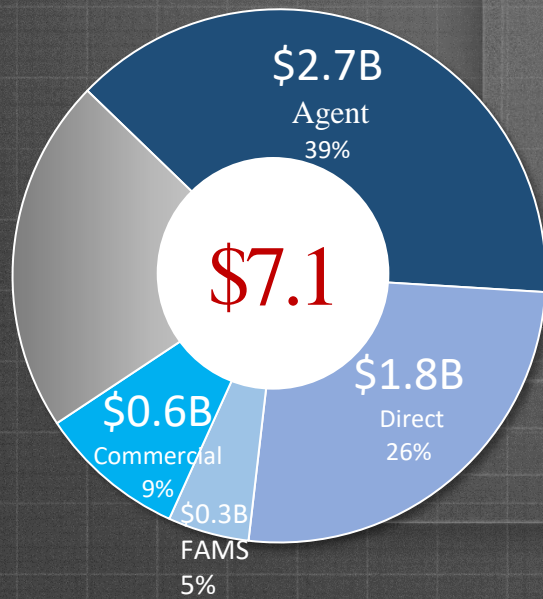
Note: Ultimate loss ratios are estimates and calculated as a percentage of title premiums and escrow fees for a given policy year as of February 28, 2021



# U.S. TITLE

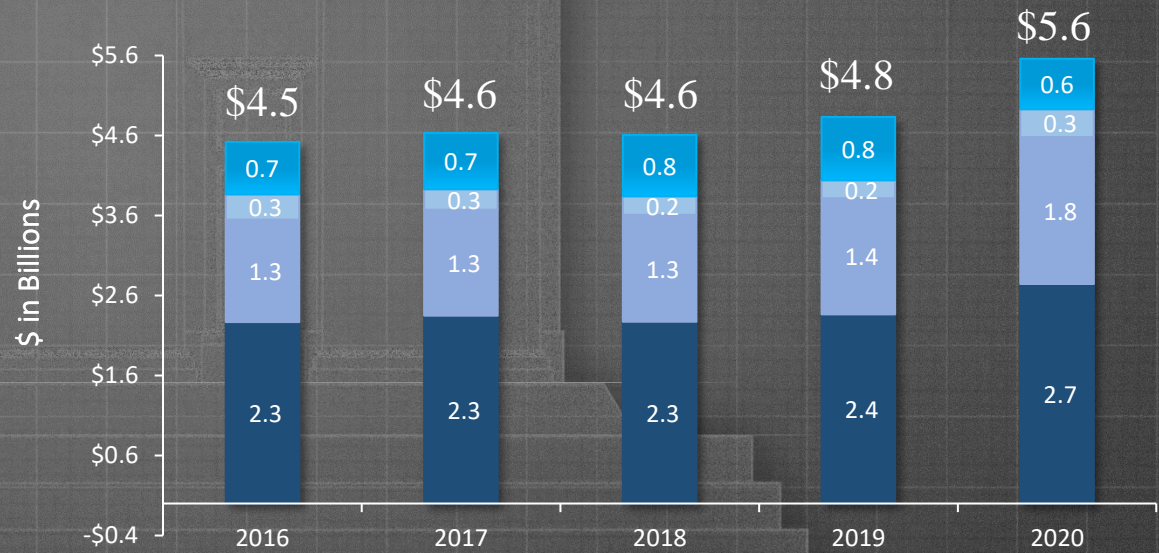


First American Financial Total Revenue



**\$5.6B**  
U.S. Title  
78%

Total Revenue Trend



Agent Direct FA Mortgage Solutions Commercial



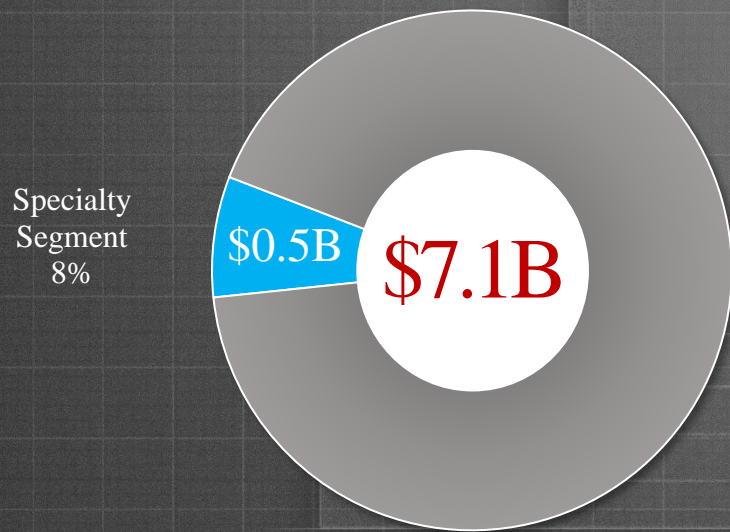
First American

# SPECIALTY INSURANCE

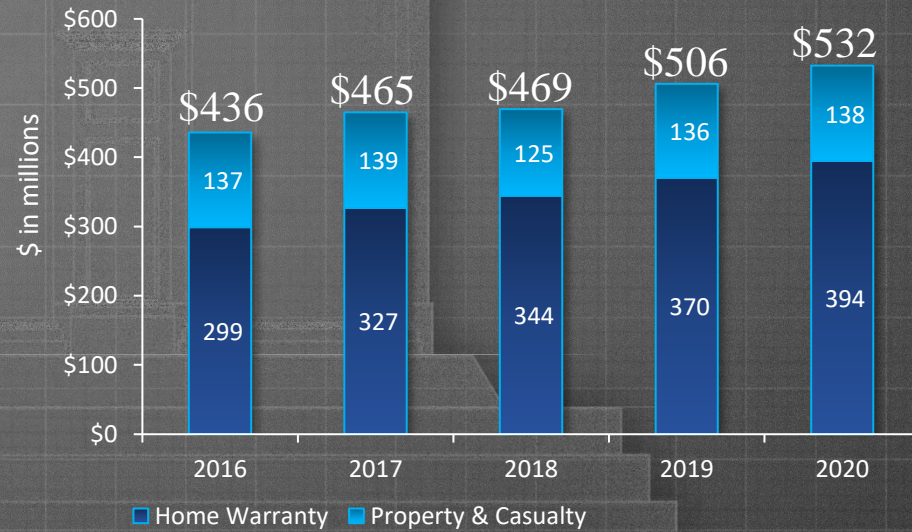
PROPERTY & CASUALTY

HOME WARRANTY

First American Financial Total Revenue

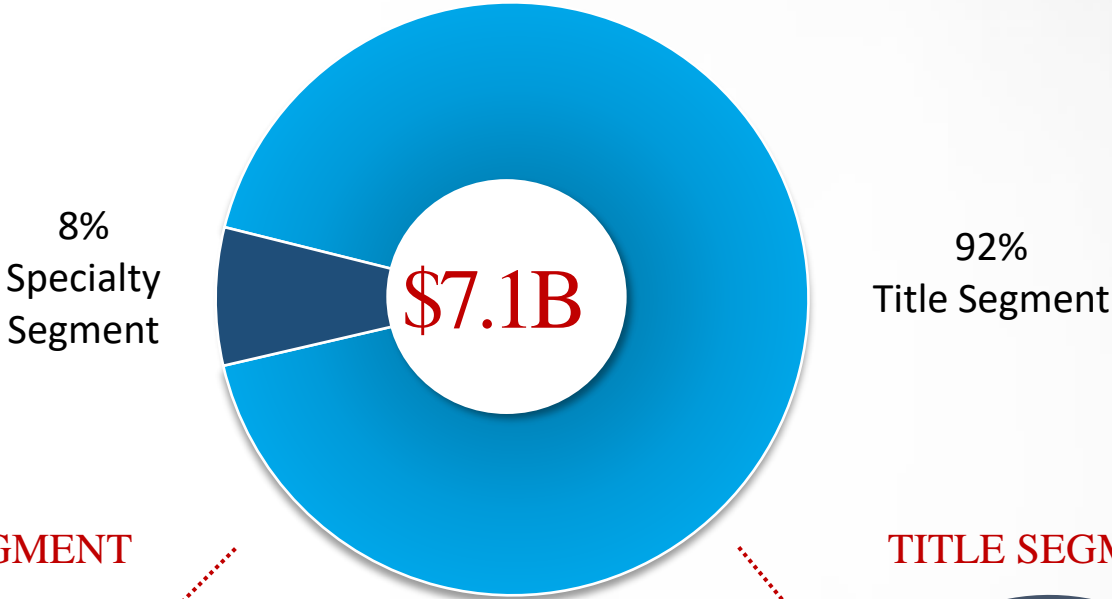


Total Revenue Trend

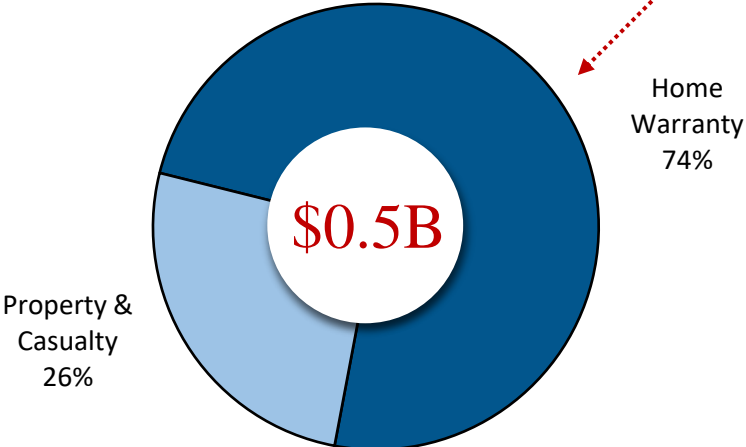


# 2020 Revenue Breakdown

## FIRST AMERICAN FINANCIAL



### SPECIALTY SEGMENT



### TITLE SEGMENT

