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FIRST AMERICAN FINANCIAL CORP
Form 8-K
May 08, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) May 2, 2001

THE FIRST AMERICAN CORPORATION

(Exact Name of the Registrant as Specified in Charter)

California 0-3658 95-1068610

(State or Other Jurisdiction (Commission (IRS Employer
of Incorporation) File Number) Identification No.)

1 First American Way, Santa Ana, California 92707-5913

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (714) 800-3000

Not Applicable.

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.
See the attached Exhibit.

Item 7. Exhibits.

99 Press Release

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

THE FIRST AMERICAN CORPORATION

Date: May 8, 2001

By: /s/ Thomas A. Klemens

Name: Thomas A. Klemens
Title: Executive Vice President and Chief
Financial Officer

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THE FIRST AMERICAN CORPORATION REPORTS
OPERATING RESULTS FOR THE FIRST QUARTER 2001

SANTA ANA, Calif., May 2, 2001 - The First American Corporation (NYSE: FAF), the nation's leading, diversified provider of business information and related products and services, announced today operating results for the first quarter ended March 31, 2001.

Net income for the first quarter 2001 was \$27.0 million, or 39 cents per diluted share, which includes a \$14.2 million pretax gain on the previously announced sale of the company's subsidiary, Contour Software, Inc., and a \$3.6 million charge to earnings relating to the company's exit of the lender-placed homeowner's insurance business, a part of the National Information Group acquisition completed in May 1999. These items totaled a net benefit of \$6.5 million on an after-tax basis, or 9 cents per diluted share. The resulting operational net income for the first quarter was \$20.5 million, or 30 cents per

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diluted share, which compares with net income of \$1.0 million, or 2 cents per diluted share, for the comparable quarter of 2000. Revenues for the first three months of 2001 totaled \$781.0 million, an increase of 21 percent when compared with 2000 first quarter revenues of \$646.2 million.

"Fueled by lower interest rates, home sales and refinancing activity were comparable to the record levels experienced in 1998," stated Parker S. Kennedy, president of The First American Corporation. "The company benefited from the higher levels of lender-driven refinance activity, as evidenced by the 434,700 new title orders opened during the first quarter of 2001, the highest quarterly number of title orders opened in the company's history. New orders escalated 9 percent from January to February and an additional 21 percent from February to March. This record-setting volume should provide for strong second quarter results. During this period of robust real estate activity and high title-order counts, we were able to increase efficiencies and keep expenses stable, underscoring our ability to leverage technology and exercise solid expense controls."

- more -

Kennedy continued: "During 2001, we will experience the bottom-line benefits of our technology enhancements, market share expansion and strategic acquisitions. The successful sale of \$210 million of our senior convertible debentures enables us to fund our growth through careful, sound acquisitions. We will continue to expand our diverse and profitable consumer

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information and services segment, which provides a complete suite of information products for the automotive, employment, insurance and investment industries."

The company also announced that direct operation title-order counts are now posted on the investor relations section of the company's Web site. New postings will be made approximately 20 working days after month-end and will include open as well as closed title-order transactions.

The First American Corporation, based in Santa Ana, Calif., is the nation's leading, diversified provider of business information and related products and services. The corporation's three primary business segments include: title information and services; real estate information and services, which includes mortgage information services and database information and services; and consumer information and services, which provides automotive, subprime and direct-to-consumer credit reporting; direct-to-consumer public records reporting; resident screening; pre-employment screening; property and automotive insurance tracking services; property and casualty insurance; home warranties; investment advisory; and trust and banking services. Information about the company and an archive of its press releases can be found on the Internet at www.firstam.com.

Certain statements made in this press release, including those relating to benefits derived from title-order volumes, technology enhancements, market share expansion and acquisitions; and expansion of the company's consumer information and services segment are forward-looking. Risks and

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uncertainties exist which 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: interest rate fluctuations; changes in the performance of the real estate markets; general volatility in the capital markets; changes in applicable government regulations; consolidation among the company's significant customers and competitors; legal proceedings commenced by the California attorney general and related litigation; the company's continued ability to identify businesses to be acquired; changes in the company's ability to integrate businesses which it acquires; and other factors described in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2000, 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.

- more -

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The First American Corporation Summary of Earnings

| | For the Three Months Ended March 31 | |
|---|--|----------------|
| | 2001 | 2000 |
| Revenues | \$ 780,951,000 | \$ 646,174,000 |
| Income before income taxes and minority interests | \$ 53,408,000 | \$ 3,885,000 |
| Income Taxes | \$ 19,500,000 | \$ 800,000 |
| Minority interests | \$ 6,922,000 | \$ 2,083,000 |
| Net income | \$ 26,986,000 | \$ 1,002,000 |
| Net income per share: | | |
| Basic | \$0.42 | \$0.0 |
| Diluted | \$0.39 | \$0.0 |
| Weighted average shares outstanding: | | |
| Basic | 64,165,000 | 64,138,000 |
| Diluted | 68,797,000 | 65,322,000 |

The First American Corporation Summary Balance Sheet Information

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| | March 31 | |
|----------------------|-----------------|-----------------|
| | 2001 | 2000 |
| Total assets | \$2,234,619,000 | \$2,060,699,000 |
| Total equity | \$ 910,694,000 | \$ 793,605,000 |
| Book value per share | \$ 14.04 | \$ 12.00 |

(Additional Financial Data to Follow)

- more -

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Selected Financial Data
(Unaudited)

| | For the Three March | |
|---|------------------------|-------------|
| | 2001 | |
| RESULTS OF OPERATIONS | | |
| Revenues | | |
| Operating revenues | \$ | 750,184,000 |
| Investment and other income | | 30,767,000 |
| | | 780,951,000 |
| Expenses | | |
| Salaries and other personnel costs | | 274,819,000 |
| Premiums retained by agents | | 189,407,000 |
| Other operating expenses | | 191,088,000 |
| Provision for title losses and other claims | | 36,490,000 |
| Depreciation and amortization | | 24,433,000 |
| Premium taxes | | 5,008,000 |
| Interest | | 6,298,000 |
| | | 727,543,000 |
| Income before income taxes and minority interests | \$ | 53,408,000 |

OPERATING REVENUES

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| | | |
|---|----|-------------|
| Title Insurance: | | |
| Direct operations | \$ | 289,271,000 |
| Agency operations | | 234,254,000 |
| | | ----- |
| | | 523,525,000 |
| Real Estate Information | | 162,233,000 |
| Consumer Information | | 64,426,000 |
| | | ----- |
| Total operating revenues | \$ | 750,184,000 |
| | | ===== |
| | | |
| INCOME BEFORE INCOME TAXES AND | | |
| MINORITY INTERESTS | | |
| Title Insurance | \$ | 19,677,000 |
| Real Estate Information | | 41,724,000 |
| Consumer Information | | 3,977,000 |
| | | ----- |
| Total before corporate expenses and | | |
| minority interests | | 65,378,000 |
| Corporate expenses | | 11,970,000 |
| | | ----- |
| Income before income taxes and minority interests | \$ | 53,408,000 |
| | | ===== |
| | | |
| TITLE INSURANCE ORDER COUNTS | | |
| FROM DIRECT OPERATIONS | | |
| | | |
| Title orders opened: | | |
| January | | 127,500 |
| February | | 139,100 |
| March | | 168,100 |
| Title orders closed: | | |
| January | | 72,900 |
| February | | 84,000 |
| March | | 113,200 |