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FIRST AMERICAN CORP
Form 8-K
October 23, 2002

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) October 23, 2002

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.

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THE FIRST AMERICAN CORPORATION

Date: October 23, 2002

By: /s/ Thomas A. Klemens

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

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EXHIBIT 99

THE FIRST AMERICAN CORPORATION REPORTS RECORD-BREAKING
OPERATING RESULTS FOR THE THIRD QUARTER 2002

SANTA ANA, Calif., Oct. 23, 2002 - 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 third quarter ended Sept. 30, 2002.

Net income for the third quarter of 2002 was a company record of \$67.4 million, or 84 cents per diluted share, which includes a pretax investment loss of \$2.6 million resulting from the previously announced sale of the company's subsidiary, First American Fastrac Systems, Inc. This item totaled \$1.5 million on an after-tax basis, or 2 cents per diluted share. Excluding this item, operating net income for the third quarter was \$68.9 million, or 86 cents per diluted share, which compares with operating net income of \$45.5 million, or 60 cents per diluted share, for the same quarter of 2001. The prior-year quarter excludes previously announced one-time charges (net of investment gains) totaling \$3.8 million on an after-tax basis, or 5 cents per diluted share. Operating revenues for the third quarter of 2002 were a record breaking \$1.18 billion, an increase of 24 percent when compared with operating revenues of \$952.8 million for the same period last year.

Net income for the nine-month period of 2002, exclusive of one-time items, was \$161.2 million, or \$2.03 per diluted share. This compares with net income of \$120.5 million, or \$1.66 per diluted share, for the first nine months of 2001, excluding one-time items. Operating revenues for the nine-month period of 2002 totaled \$3.29 billion, an increase of 26 percent when compared with operating revenues of \$2.61 billion for the same period in 2001.

"We are particularly pleased with the margin improvements across all of our real estate-related business segments in the third quarter of 2002 versus 2001," stated Parker S. Kennedy, president of The First American Corporation. "Third quarter real estate-related activities, including existing and new home sales, and refinancing activity, proved very favorable for First American. Recent record-breaking low mortgage interest rates should further stimulate the demand for homes and refinancings well into 2003, resulting in a strong fourth quarter for our company."

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Open orders in the title insurance segment for the past three months were

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up 39 percent compared with the same period in 2001 and 32 percent compared with the second quarter of 2002. The company experienced record-setting refinance-related orders during the third quarter. The Mortgage Bankers Association of America's measure of mortgage loan applications for purchases and refinances were the highest ever in the past four weeks.

Kennedy continued: "While enjoying record-breaking transaction volume, we continue to look for opportunities to improve margins, increase automation and provide higher valuation for First American. The rollout of the FAST Transaction System, which will streamline title production and improve margins, will be substantially complete by year-end. Expense cutting continues as we consolidate operations and use technology to lower personnel expenses and deliver information products faster and more economically to our customers."

About The First American Corporation

The First American Corporation is a Fortune 500 company that traces its history to 1889. As the nation's leading diversified provider of business information, the company supplies businesses and consumers with the information resources that affect the major economic events of people's lives, such as getting a job; renting an apartment; buying a car, house, boat or airplane; securing a mortgage; opening or buying a business; and planning for retirement. The First American Family of Companies, many of which command leading market share positions in their respective industries, operate within seven primary business segments including: Title Insurance and Services, Specialty Insurance, Trust and Other Services, Mortgage Information, Property Information, Credit Information and Screening Information. With revenues of \$3.75 billion in 2001, First American has more than 22,500 employees in approximately 1,300 offices throughout the United States and abroad. More information about the company and an archive of its press releases can be found at www.firstam.com.

Certain statements made in this press release, including those relating to fourth-quarter results and the effects of technology solutions are forward-looking. Risks and 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; 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, 2001, 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.

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Summary of Earnings

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| | For the Three Months Ended September 30 | | For th |
|---|--|----------------|--------|
| | 2002 | 2001 | |
| Revenues | \$ 1,197,084,000 | \$ 983,008,000 | \$ 3, |
| Income before income taxes and minority interests | \$ 129,022,000 | \$ 83,355,000 | \$ |
| Income taxes | \$ 42,800,000 | \$ 30,500,000 | \$ |
| Minority interests | \$ 18,863,000 | \$ 11,160,000 | \$ |
| Net income | \$ 67,359,000 | \$ 41,695,000 | \$ |
| Net income per share: | | | |
| Basic | \$.94 | \$.61 | |
| Diluted | \$.84 | \$.55 | |
| Weighted average shares outstanding: | | | |
| Basic | 71,827,000 | 67,844,000 | |
| Diluted | 82,679,000 | 78,872,000 | |

Cash Provided by Operating Activities

| | For the Three Months Ended September 30 | | |
|---------------------------------------|--|----------------|------|
| | 2002 | 2001 | |
| Cash provided by operating activities | \$ 133,183,000 | \$ 166,698,000 | \$ 3 |

Summary Balance Sheet Information

| | September 30 | December 31 |
|----------------------------|-----------------|-----------------|
| | 2002 | 2001 |
| Total stockholders' equity | \$1,293,234,000 | \$1,104,452,000 |
| Book value per share | \$17.92 | \$16.08 |

Summary Title Insurance Order Counts
From Direct Operations

| | For the Three Months Ended September 30 | |
|----------------------|--|---------|
| | 2002 | 2001 |
| Title orders opened: | | |
| July | 190,500 | 145,300 |
| August | 222,200 | 162,600 |

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| | | |
|----------------------|---------|---------|
| September | 216,700 | 146,000 |
| | ----- | ----- |
| Third quarter total | 629,400 | 453,900 |
| | ===== | ===== |
| Title orders closed: | | |
| July | 131,700 | 119,200 |
| August | 146,000 | 128,200 |
| September | 147,300 | 106,800 |
| | ----- | ----- |
| Third quarter total | 425,000 | 354,200 |
| | ===== | ===== |

(Additional Financial Data Follows)

Selected Financial Data (Unaudited)

| | For the Three Months Ended September 30 | | F |
|--|--|----------------|-------------|
| | 2002 | 2001 | 2 |
| | ----- | ----- | ----- |
| RESULTS OF OPERATIONS | | | |
| Revenues | | | |
| Operating revenues | \$ 1,180,114,000 | \$ 952,776,000 | \$ 3,289,7 |
| Investment and other income | 22,858,000 | 22,132,000 | 61,2 |
| Net realized investment gains (losses) | (5,888,000) | 8,100,000 | (18,4 |
| | ----- | ----- | ----- |
| | 1,197,084,000 | 983,008,000 | 3,332,4 |
| | ----- | ----- | ----- |
| Expenses | | | |
| Salaries and other personnel costs | 381,074,000 | 331,727,000 | 1,090,3 |
| Premiums retained by agents | 322,148,000 | 255,384,000 | 915,2 |
| Other operating expenses | 265,456,000 | 216,854,000 | 748,3 |
| Provision for title losses and other claims | 58,215,000 | 52,661,000 | 158,0 |
| Depreciation and amortization | 23,662,000 | 27,820,000 | 72,8 |
| Premium taxes | 8,889,000 | 6,758,000 | 24,4 |
| Interest | 8,618,000 | 8,449,000 | 25,5 |
| | ----- | ----- | ----- |
| | 1,068,062,000 | 899,653,000 | 3,034,8 |
| | ----- | ----- | ----- |
| Income before income taxes and minority interests | \$ 129,022,000 | \$ 83,355,000 | \$ 297,6 |
| | ===== | ===== | ===== |
| OPERATING REVENUES | | | |
| Financial Services | | | |
| Title Insurance and Services: | | | |
| Direct operations | \$ 464,893,000 | \$ 375,342,000 | \$ 1,271,67 |
| Agency operations | 393,034,000 | 317,893,000 | 1,128,45 |
| | ----- | ----- | ----- |

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| | | | |
|--|------------------|----------------|--------------|
| | 857,927,000 | 693,235,000 | 2,400,12 |
| Specialty Insurance | 37,426,000 | 29,156,000 | 100,31 |
| Trust and Other Services | 9,647,000 | 10,419,000 | 32,34 |
| | ----- | ----- | ----- |
| | 905,000,000 | 732,810,000 | 2,532,78 |
| | ----- | ----- | ----- |
| Information Technology | | | |
| Mortgage Information | 119,718,000 | 104,818,000 | 336,378 |
| Property Information | 71,024,000 | 51,834,000 | 183,587 |
| Credit Information | 56,642,000 | 48,990,000 | 160,189 |
| Screening Information | 27,730,000 | 14,324,000 | 76,768 |
| | ----- | ----- | ----- |
| | 275,114,000 | 219,966,000 | 756,922 |
| | ----- | ----- | ----- |
| Total Operating Revenues | \$ 1,180,114,000 | \$ 952,776,000 | \$ 3,289,704 |
| | ===== | ===== | ===== |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | | | |
| Financial Services | | | |
| Title Insurance and Services | \$ 80,026,000 | \$ 39,102,000 | \$ 169,788 |
| Specialty Insurance | 6,014,000 | 4,638,000 | 17,855 |
| Trust and Other Services | 2,443,000 | 3,421,000 | 11,255 |
| | ----- | ----- | ----- |
| | 88,483,000 | 47,161,000 | 198,898 |
| | ----- | ----- | ----- |
| Information Technology | | | |
| Mortgage Information | 39,188,000 | 38,420,000 | 100,245 |
| Property Information | 21,405,000 | 7,491,000 | 48,070 |
| Credit Information | 10,943,000 | 6,559,000 | 30,827 |
| Screening Information | 1,120,000 | 729,000 | 3,868 |
| | ----- | ----- | ----- |
| | 72,656,000 | 53,199,000 | 183,010 |
| | ----- | ----- | ----- |
| Total before corporate expenses and minority interest | 161,139,000 | 100,360,000 | 381,908 |
| Corporate expense | 32,117,000 | 17,005,000 | 84,273 |
| | ----- | ----- | ----- |
| Income before income taxes and minority interests | \$ 129,022,000 | \$ 83,355,000 | \$ 297,635 |
| | ===== | ===== | ===== |

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