CFA Institute Research Challenge

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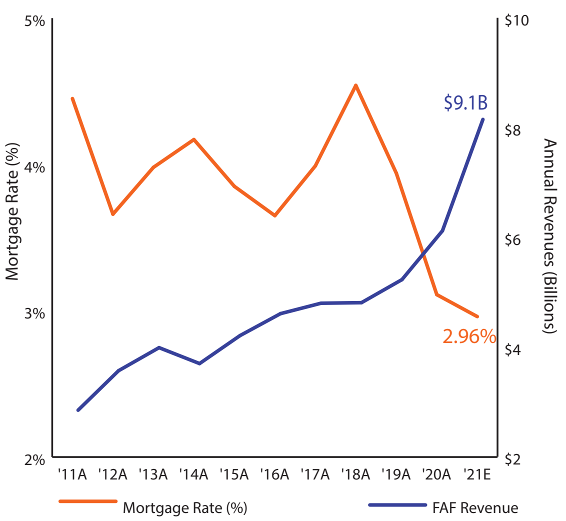
The CFA Institute Research Challenge is a global competition that tests the equity research and valuation, investment report writing, and presentation skills of university students. The following report was prepared in compliance with the Official Rules of the CFA Institute Research Challenge, is submitted by a team of university students as part of this annual educational initiative and should not be considered a professional report.

First American Financial Corporation

RECOMMENDATION	BUY
Date	1.12.2022
Stock Price	$79.48
Target Price	$94.00
Upside	18%
Industry	Real Estate
Sector	Insurance
Stock Exchange	NYSE
Ticker Symbol	FAF
Shares Outstanding (M)	109.77
Marketing Capitalization (B)	$8,384
EPS (2021)	$11.31
Free Float (M)	104.69
Dividend	2.04%
Yield	2.67%

Exhibit 1:

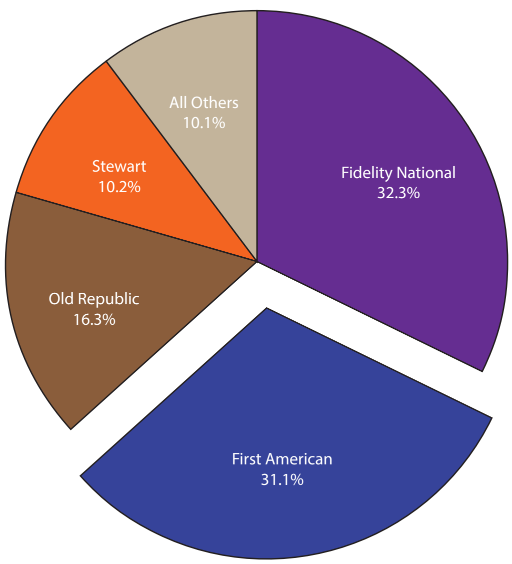
Mortgage Interest Rates vs. First American Financial Revenues



Source: Company Data

Exhibit 2:

Title Insurance Market Share



Source: IBISWorld

INVESTMENT SUMMARY

We issue a BUY recommendation for First American Financial (FAF) with a target price of $94, representing an 18% upside based on the closing price of $79.48 as of January 12th, 2022. Our target price is derived from our Discounted Cash Flow model (DCF) supported with a multivariable regression analysis to project revenue. The foundation for our recommendation rests on the following drivers: (1) strong revenue projections despite interest rate sensitivity, (2) disciplined mergers and acquisitions strategy to stimulate future growth, and (3) positive economic indicators that support the continued housing boom which the company will capitalize on.

Strong Revenue Projections Despite Interest Rate Sensitivity

First American Financials' (FAF) revenue is extremely sensitive to fluctuations in mortgage interest rates, as evidenced by the events that occurred with the pandemic. FAF clearly benefited due to the Federal Reserve lowering interest rates to avoid a potential recession, as demonstrated by the company's revenues increasing 14.3% in 2020, while mortgage interest rates fell 26% during the same timeframe (Exhibit A). Although the Federal Reserve has publicly stated that there will be three to four interest rate hikes in 2022, which we believe will lower FAF's revenue, the strong current overall economic outlook will still produce revenues well above the reported 2020 revenues and we forecast that the total revenues for 2022 will be the second highest revenues in the past 10 years.

Positive Economic Outlook

The effects of the pandemic have created some turbulence in the economy, but nearly two years into the pandemic, most of the key economic factors that drive the housing market have returned to pre-pandemic levels and remain strong for continued demand from buyers and sellers in the market.

• After a severe upturn in unemployment in April of 2020 (>10%), the labor market rebounded quickly and is now again near historic lows (December 2021 rate of 3.9%; Bureau of Labor Statistics).

• Average hourly wages have continued to increase to $31.10 / hour nationally, with historical annual increases at 3.5% per year. (Bureau of Labor Statistics)

• The average days a home listing is on the market is at 22 days (Redfin), with 44.3% of all home sales selling above their asking price (Redfin), and 46.4% being sold within two weeks of hitting the market. (Redfin)

• Building permits increased 6.5% from November 2020 to 2021 while housing starts were up 2.5%, and housing completions rose 2.5%.. (U.S. Census Bureau, HUD, January 19, 2022)

• Gross Domestic Product (GDP) which historically runs at 6.2% (Nominal, 1951-2020) annually, is now running above that level. (Bureau of Economic Analysis)

Disciplined M&A Strategy Stimulates Future Growth

We believe that a key strategy to First American's future growth will be through the acquisition of strong corresponding businesses in key markets, further increasing its market share from its already-dominant stance of 31.1% as of August 2021 (IBISWorld). Within a competitive industry where the top four companies control 89.9% of the market (Exhibit 2), FAF's focused approach to acquisitions positions them to overtake the industry as the premier title provider. Most notably, the company recently announced plans to acquire Mother Lode Holding, a title insurance provider, and its subsidiaries on January 12, 2022; which if approved, would expand its footprint in 11 states. However, First American also focuses its capital on acquiring innovative technologies such as Docutech, which leverages technology to quickly and accurately provide regulatory-compliant loan documents for mortgage and home equity lending. Acquisitions of companies like Mother Lode and

Docutech are what have pushed First American's dominant stance in the industry, which will only continue to grow, potentially adding to future growth rates as reflected in our sensitivity analysis.

BUSINESS DESCRIPTION

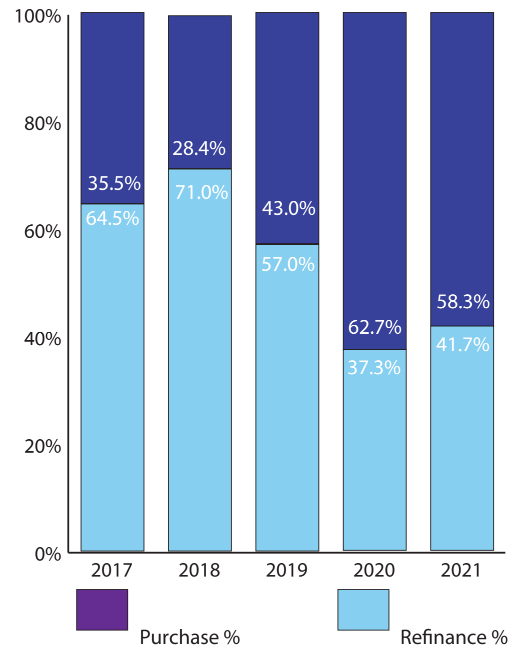
First American Financial Corporation is a United States based title insurance provider, headquartered in Santa Ana, California. Founded in 1889, in Orange County, they engage in the business of providing title insurance, settlement services, other financial services, and risk solutions. The Company operates through two segments: title insurance and services, and specialty insurance; accounting for 92% and 8% of revenue respectively as of 2020. With operations in eight countries, 760 offices, and nearly 20,000 employees they are one of the premier title insurance agencies in the country.

Product Highlights: Title insurance policies are offered to prospective real estate buyers to ensure that all legal issues and liens are resolved before the change of ownership. Through these policies, title insurance companies execute a title search, ensuring that no other parties have any legal claim to the property or that outstanding liens exist from prior owners. If any issues are detected after ownership has transferred then the title insurer may be potentially liable. Mortgage lenders want full confidence in the loans they issue to prospective property buyers, so they nearly always require "clean" titles. Because mortgage lenders rely on this service, title insurance has become a standard part of the buying process of properties in the United States as well as refinancing activities.

Business Strategy: The core of First American Financial Corporation's strategy includes a three pillar approach: leverage their industry-leading data processing advantage to streamline their underwriting processes; focus on growing their core title and settlement business through M&A; and invest in complementary businesses to title insurance that offers new technologies and increase their market share. We believe these strategies will allow FAF to outpace their competitors in the next several years.

INDUSTRY OVERVIEW & COMPETITIVE POSITIONING

Historical Title Insurance Purchase and Refinance Segments



Industry Overview

Title insurance is an important process in the housing and mortgage markets but is also required by lenders to receive mortgage loans, meaning nearly every real estate transaction in the United States is accompanied by title insurance. The revenue of this industry showed a substantial increase over 2021 despite the economic downturn caused by COVID-19. The title insurance industry observed 32.5% year-over-year growth in the insurance premiums in the 3rd quarter of 2021 (American Land Title Association). Coupled with low historic premium payout ratios and legal barriers barring other insurers from entering the field, the prospects for industry growth are strong.

Demand Determinants

Existing Home Sales: Although Covid-19 caused a recession, it did not negatively impact the real estate sector. U.S. home prices increased 19.5% in 2021 compared to 2020 (IBISWorld) but it did not discourage the buyers from purchasing properties . Several factors suggest continued strength in the housing market: rising inflation, which caused an increase in rent and consumer prices, motivates people to buy houses; demographics increase demand in the housing market as first-time millennial homebuyers are entering the housing market; and employers' shift to remote work has led to the rising demand. IBISWorld estimates that 51% of employees are expected to work remotely in the next six months irrespective of the pandemic situation and around 35% are expected to work remotely permanently. Due to having less restrictions on the working environment, people are moving to more spacious settings.

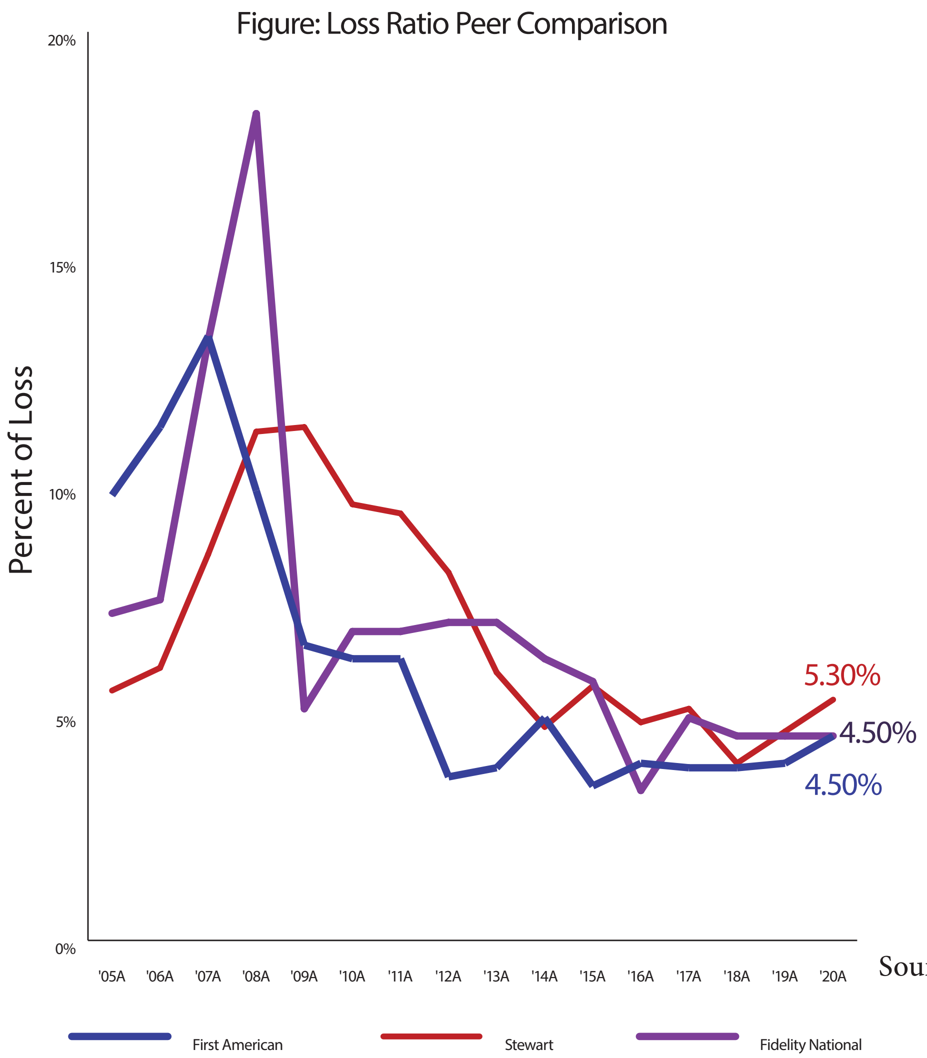
Favorable Mortgage Rates: Interest rates play a vital role in the housing market since most homes are financed with a 30-year mortgage. The low interest rates of the last thirteen years have been extremely attractive for buyers and in some periods have also been enormously advantageous for existing homeowners who can refinance. Borrowers may also have the option to possibly take equity out of their house and pay off other high interest rate debt. The pandemic led to both high housing prices (and therefore higher home equity) and accommodative Federal Reserve policy, which led to ideal refinancing conditions. Refinancing activity spiked to the highest levels since 1990 (MBA) in 2021. As we enter 2022, and with rates slightly higher, refinance activity has already declined and is not expected to recover until at least 2023. Home sales should continue to be robust despite the anticipated increases in the Federal Funds rate.

Competitive Positioning

First American Title is part of an oligopoly within the title insurance industry. Among the four largest firms in the industry, FAF is the second largest company in terms of market share with total revenues exceeding $7 billion in 2020, nearly $13 billion in total assets, and approximately 20,000 employees nationwide (Company Data). First American has excelled in capitalizing on various business segments at every step of the real estate transaction. First American offers title & settlements services, trustee services, UCC services, asset disposition services, loss mitigation services, foreclosure, due diligence, and assists with 1031 tax exchanges. First American also owns its own bank, First American Trust, which enables the company to provide mortgages to their clients and offer other financial products such as data and analytics, home warranties, and trust services. Although these other business segments only account for 8% of its revenue. First American's main advantages lie in its title segment, beating out its competitors in certain key metrics.

Strong Relative Stock Performance: First American Financial's (FAF) stock return has been compared with different market indexes such as: S&P 500 and Russell 1000 (See Appendix). Over the past 9 years (2012 - 2021), FAF has beaten the market by 378% (Year to Date) whereas during the same period the YTD of the market indexes is around 228%. We also compared the performance of the FAF's stock return with the primary competitors: Fidelity National, Old Republic and Stewart to determine whether or not the stock is underperforming or outperforming in its own industry. In the last 6 years (2015 - 2021), FAF has outperformed compared to the major competitors (See Appendix). Even though the stock returns of FAF and FNF may seem very close to each other, if we take the last two years into account, FAF had higher returns of 18.09% whereas FNF's stock return was around 1.3%. We believe that FAF will continue to beat the major indexes and its competitors over the long-term and will continue to make FAF an attractive investment.

Low Claims Payout: In the insurance industry, insurance providers collect money (Premiums) from their clients and in the event of a qualifying event for damage, the client, in turn, files a claim and receives a monetary award to offset their loss. This monetary award is what is referred to as a loss or payout ratio. The ratio quantifies the percentage of payout in claims as compared to annual revenues of the insurance provider. Typically, payout ratios in the title insurance industry range from 4%-7%. In contrast, companies in the Property & Casualty (P&C) industry payout ratios range between 40%-60% In the title insurance space, First American Financial has consistently been at the lower end of the range as compared to Fidelity National (FNF) and Stewart Information (STC). The third major competitor of title insurance is Old Republic (ORI). However, their payout ratio could not be used in this analysis since ORI's revenue is 38% related to title insurance and approximately 60% is P&C. As a percentage, FAF has done a better job performing title searches, and ultimately pays out fewer claims than its competitors. The lower payout ratios can contribute to the company's profitability and higher margins (Exhibit 3).



Source: Company Data

Low Insurance Claims Reserves: Similar to the insurance industry, title insurance companies must reserve a portion of premiums collected to pay policyholders who have filed or are expected to file claims on their policies, called claims reserves. Considering the title insurance industry as a whole maintains considerably lower claims loss ratios, claims reserves would also be lower. When viewing the average claims reserve as a percentage of total premiums collected for the title industry, the five-year average is nearly 28% for the four major players, First American's is less than half that around 10% (figure x). Their lower reserve amount means the company can more efficiently use capital to allocate to key projects, such as acquisitions which would further their push for increased market share, unlike their competitors which have larger amounts of capital trapped as claims reserves.

Pure Play on Title Industry: Similar to the insurance industry, title insurance companies must reserve a portion of premiums collected to pay policyholders who have filed or are expected to file claims on their policies, called claims reserves. Considering the title insurance industry as a whole maintains considerably lower claims loss ratios, claims reserves would also be lower. When viewing the average claims reserve as a percentage of total premiums collected for the title industry, the five-year average is nearly 28% for the four major players, First American's is less than half that around 10% (figure x). Their lower reserve amount means the company can more efficiently use capital to allocate to key projects, such as acquisitions which would further their push for increased market share, unlike their competitors which have larger amounts of capital trapped as claims reserves.

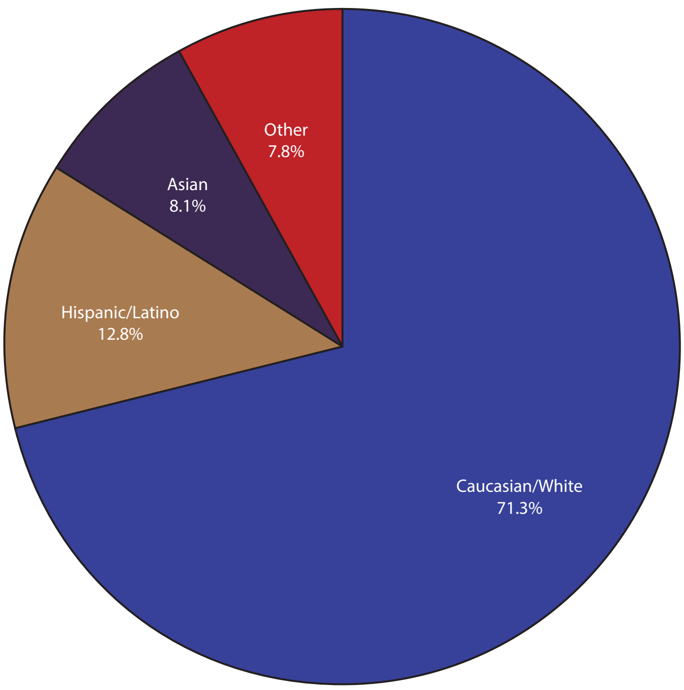
ENVIRONMENTAL, SOCIAL, & GOVERNANCE

Environmental

First American Financial aims to elevate environmental practices through the use of environmentally friendly materials in order to reduce carbon emissions and electricity usage at their headquarters. These efforts are set, measured, and actively managed through the establishment of the Planet First Council, a cross-departmental team dedicated to monitoring the progress of environmental goals. Other competitors have pursued the same environmentally friendly operational goals, at times showing greater strides in improvement than First American Financial. Although these are great environmental goals to pursue in operations, we don't believe they contribute enough towards the strategic vision the company has set of being the best title insurance company in the industry. We would have liked to see more thought towards insurance title issuance decisions and the major operations of the company globally as a whole, not just the operations at the main headquarters. When comparing environmental scores alone across the industry, First American ranked the lowest compared to its peers (Exhibit 5). Other competitors, like Fidelity National, pursue similar environmentally friendly operational goals; but effectively do a better job at attaining these goals and setting new ones for the coming year. We believe the impact of these efforts will continue to have a modest impact on revenues and profits.

ESG Score Comparison	Environmental	Social	Governance	Total
First American Financial Corporation	0.17%	16.45%	19.64%	**36.26%**
Fidelity Information Financial, Inc.	2.61%	24.17%	17.08%	**43.86%**
Old Republic International Corparation	0.61%	9.41%	16.03%	**26.05%**
Stewart Information Services Corporation	1.40%	18.18%	28.76%	**48.34%**

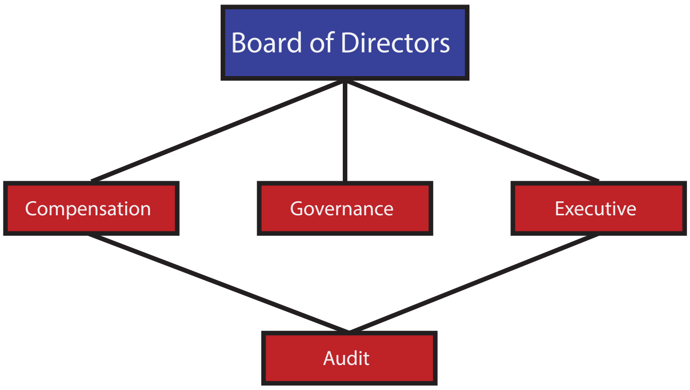
Source: Refinitiv



Source: Company Data

Social

First American's efforts at social responsibility include its 'Caring for our Community' philanthropy program and programs to improve diversity within the organization. The philanthropy program is meant to impact community development by collaborating with Habitat for Humanity. In 2017, First American participated in 82 builds and donated over $185,000; similarly, during the COVID-19 pandemic, FAF raised over $86,000 to help aid communities during their times of need in addition to providing masks, hygiene kits, and meal kits. In terms of workforce diversity, women make up for 70% of FAF's workforce, a rather large percentage, and for higher positions such as mid-level management, women account for upwards of 52.8%- which is also commendable. However, upper management, including the board of directors, has less than 30% female representation. Similarly, 71% of employees are white, while the remaining 29% are classified other than white, a number which has shown little improvement over the years (Exhibit 6). Its diversity efforts seem below par. While this is not uncommon in the industry, a failure to become more proactive may be problematic in the future.



Source: Company Data

Governance

We believe that First American has created a strong governance structure that will both keep management fully accountable and continue to set them up for success in the future, although we question the true independence of the Chairman of the board, as he served as the prior CEO for 12 years at First American and his family founded the company over 100 years ago. More so, now than ever, investors demand independence between Executive Management and the Board of Directors, so we view this choice of structure as a negative in our overall evaluation of governance due to the loss of diversity of thought and conflict of interest. Under their governance structure, there is the Executive Management, Board of Directors, and four sub-committees which all act in a system of checks and balances while keeping decision-making streamlined (Exhibit 7).

Executive Management: First American's Executive Management Team is composed of three members made up of the CEO, President, and CFO. Each member has had prior experience within the company for at least ten years each with relevant backgrounds in their respective fields of insurance, law, and financials giving valuable guidance for the company. We maintain a positive outlook on the management team because although small, they have shown they can guide the company in most economic situations while continuing to generate strong revenues.

Board of Directors: First American's BoD consists of nine members incorporating many years of experience and sector knowledge across real estate, legal, and technology industries. The boards' collective experience supports the company's current strategy of integrating technology to insurance underwriting processes. The current nine-member board is also composed of two female members and one person of color, which we view as an area for diversity improvement, as its current imbalance could impact decision-making in terms of diverse opinions and it inversely represents the overall proportion of both female and minority employees present in the company. All members serve in at least one of four independent committees that work to keep the company accountable and all members maintain shares of the company in their portfolios, which will act to the benefit of shareholders.

Audit Committee: The Audit Committee has three members each with relevant professional experience in economics, insurance, and finance. The committee serves as an integral part of the company providing assistance in the areas of quality assurance of financial statements and compliance with legal and regulatory requirements. They also serve as the "Risk Committee" overseeing risks First American might be subject to and how they manage those risks.

Compensation Committee: The Compensation Committee is composed of three members, one being Chairman Parker S. Kennedy, which we again view as a conflict of interest as Mr. Kennedy has maintained a variety of roles with the company for 40 years as well as having close ties to the current CEO. The committee oversees compensation policies and programs, the compensation of executive officers, and the evaluation of the CEO's performance. To continue having Chairman Kennedy serve on this committee, in which he governs the compensation of the current CEO, would be inappropriate considering their relationship and warrants concern for investors.

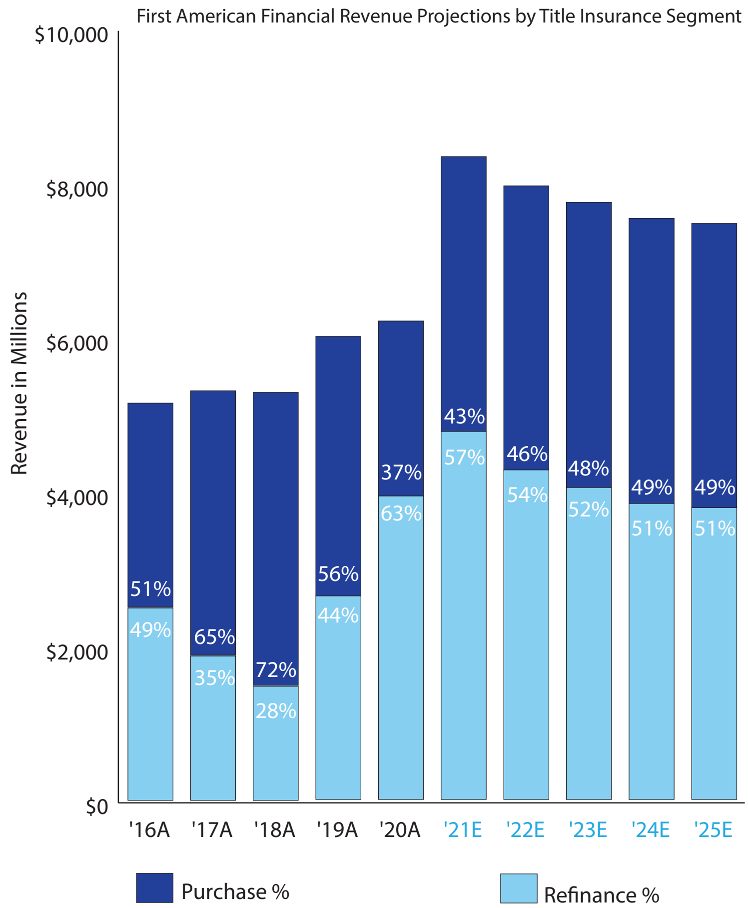
Nominating / Corporate Governance Committee: The Nominating and Corporate Governance Committee are made up of three members, two of which are female while the third is a person of color, all appropriately appointed for this committee's purpose of pushing for diversity. Their responsibilities include identifying individuals qualified to become directors, developing and recommending annually the reviewing of corporate governance guidelines and code of ethics, and considering ESG trends applicable to the company, although it should be noted that no ESG quotas or goals have ever been set by the company.

Executive Committee: Should any issue arise within the board where a majority of members are absent or the full presence of the board is deemed impractical, the four-member Executive Committee serves on behalf of the Board of Directors. The committee serves as an important safeguard should quick decisions need to be made and we view it as a testament to the exemplary structure of First American's Corporate Governance.

To summarize, we view First American's ESG performance as neither a defining positive nor an impactful negative in the near term. First American has adequate performance within all sections, meeting legal compliance on every level, but concerns of impending regulatory ESG disclosures and quotas could represent a risk to the company in terminal growth years should they not become more proactive, which we choose to analyze through an increased WACC in our sensitivity analysis.

Key Ratios ($mm)	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenue	$5,575,846	$5,772,363	$5,747,844	$6,202,061	$7,086,667	$9,123,381	$8,490,435	$8,236,058	$8,028,112	$7,962,494
Net Income	$ 343,476	$ 421,863	$ 475,898	$ 709,848	$ 700,496	$ 849,511	$ 794,258	$ 815,913	$ 811,979	$ 781,436
EPS	3.09	3.76	4.19	6.22	6.16	7.74	7.24	7.43	7.40	7.12
EBITDA Margin (%)	12.63%	10.60%	13.50%	17.40%	16.70%	13.83%	14.41%	15.18%	15.52%	15.13%
EBIT Margin (%)	9.10%	8.40%	11.30%	15.40%	14.60%	12.43%	12.84%	13.55%	13.81%	13.39%
NI Margin (%)	6.16%	7.30%	8.30%	11.40%	9.80%	9.31%	9.35%	9.91%	10.11%	9.81%
ROE (%)	11.59%	13.00%	13.20%	17.40%	15.00%	16.15%	13.15%	11.59%	9.79%	7.92%
ROA (%)	4%	3.30%	4.00%	5.40%	5.30%	6.27%	5.38%	5.13%	4.65%	3.95%
Total debt/EBITDA	1.21x	1.20x	1.04x	0.93x	1.35x	1.25x	1.26x	1.22x	1.17x	1.23x
Debt/Equity (%)	24%	21%	22%	30%	37%	28%	24%	20%	16%	14%

Source: Company Data, Team Analysis



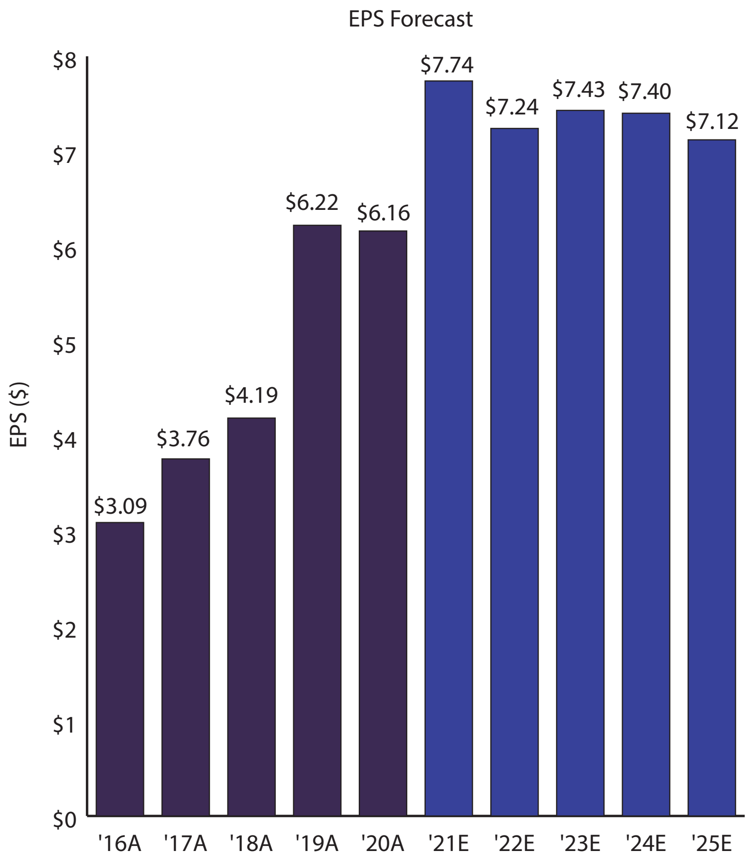
Source: Mortgage Bankers Association

Revenue Forecast

Since the key revenue driver for this company is the title insurance segment, we put more emphasis on this segment to forecast the revenue from 2021 to 2025. Title insurance industry is closely tied to the real estate industry as well as the economy. If the economic indicators change to a large extent, it affects the real estate industry which in turn affects the title industry. Because of having a closely tied relationship with the economy, the revenue from the title insurance segment has been forecasted based on the economic variables such as: mortgage interest rate, fed fund rate, inflation, housing price index (HPI), gross domestic product (GDP), wage rate and the unemployment rate. We have forecasted all these economic variables in order to project the revenue stream from 2021 to 2025 (See Appendix) As revenue from the title insurance segment is driven by two segments: refinance activity and purchase activity we conducted a regression analysis in order to forecast the revenue streams from both segments.

Refinance Activity Revenue: To determine the percentage of revenue that comes from refinance activity we have used average refinance share (%) data from 1990 to 2021 that has been published on Mortgage Bank Association (MBA) Website as our guideline. We have tied FAF's refinance activity with the mortgage interest rate, fed fund rate and inflation in order to forecast revenue from this particular segment. According to our analysis, going forward, the revenue from the refinance activity will show a decreasing trend. The refinance activity of the entire nation depends on the mortgage rates. Recently, the Federal Reserve announced that they will be increasing the interest rates in the upcoming years to control inflation. When that happens, it will reduce the refinance activity as a whole. Due to having a favorable mortgage rate in 2021, the revenue from refinance activity is expected to grow by 21% compared to 2020. But from 2022 and onwards, the mortgage rate will not be as favorable as it was in 2021 and so based on our forecast, it is expected that the revenue from this segment will decrease by 10% in 2022.From 2023 to 2025, we still believe the to decline further but the decline will not be more than 5%.

Purchase Activity Revenue: We have correlated purchase activity revenue stream with the housing price index (HPI), GDP, wage rate and unemployment rate. Based on our findings, the revenue from the purchase activity segment is expected to have a positive trend in 2021, 2022 and 2023. The revenue from purchase activity is expected to grow in 2021 because of favorable mortgage rates and booming real estate market. According to the FOMC and market analyst, the economic indicators such as GDP, wage rate, housing price index will have an upward trend from 2022 to 2025 whereas the unemployment rate will have a downward trend up to 2023. According to our analysis, the revenue from this segment will increase by 3% and 0.44% in 2022 and 2023 respectively. Based on FOMC data, the unemployment rate may increase in 2024 and 2025 and due to having an increase in the unemployment rate, the revenue from the purchase segment is expected to decline on an average of 0.30%.recommendation, we calculated the target price of FAF using valuation multiples: P/E and EV/EBITDA. For our competitors, we have considered the companies whose business operations and risk exposures are similar to FAF. The intrinsic value that has been calculated using P/E ratio is $94.60, implying 19% upside on the closing price of $79.48 on January 12th, 2022. Similarly, we also derived the intrinsic value using EV/EBITDA multiple and the value is $97.56 implying 23% upside on the closing price of $79.48 on January 12th, 2022.



Source: Team Analysis

High Earnings to Shareholders and Low Beta

Historically, due to having favorable market and economic conditions, First American Financial was able to provide higher EPS to its shareholders. Even though the economy was in turmoil because of the pandemic, our forecast the EPS of 2021 will be higher compared to the previous years which is around $7.74 (Figure X). Although the revenue is expected to decrease in the later years due to having higher mortgage rates, the EPS (2022 to 2025) will still be higher compared to 2016 to 2020. On the other hand, the stock of this company is a defensive stock. The beta of the stock is 0.96, resulting in lower volatility when compared to the market. Stockholders want to acquire shares that yield higher returns and have lower betas, which is exactly the case for First American, hence why we view the stock to be a great investment.

VALUATION

Parameters	
Market Value of Equity	8,731
Market Value of Debt	2,242
Weight of Debt Capital	20.44%
Weight of Equity Capital	79.56%

Cost of Capital - WACC	
10-Year Treasury Notes Rate	1.43%
Estimated Future Market Return - Daily	0.05%
Estimated Future Market Return - Yearly	9.00%
Beta	0.962
Estimated Cost of Equity	8.71%
Estimated Cost of Debt (YTM on Corporate Bond APR)	4.56%
Tax Rate	23.13%
WACC	**7.22%**

Beta Using Covariance	**0.962**
Beta Using Slope	**0.962**
Beta Using Regression	**0.962**

Source: Team Analysis

We used three methods of valuing FAF's stock: valuation multiples such as the P/E ratio, a Discounted Cash Flow model (DCF), and a statistical model based on Geometric Brownian Motion (GBM). Our DCF produced an intrinsic value of $94, which was our primary basis of valuation. Two other price targets were also derived by using bullish and bearish economic scenarios in the DCF.

P/E Ratio Analysis: The P/E ratio of all title insurance companies was evaluated, but due to the industry being a niche industry, it was necessary to expand into other closely related industries. Therefore, traditional insurance companies (P&C), real estate companies, and home builders were all examined and compared. The overall conclusion among all industries produced a range of 8.00-8.76, with a midpoint of 8.38. The 8.38 was applied to the P/E ratio of FAF (11.29) which indicates a value of $94.60 / share.

DCF Valuation: To conduct the DCF valuation we used Free Cash Flow to Firm (FCFF) modeling the intrinsic value of the company based on the present value of all future cash flows. We first calculated the beta of First American Financial at 0.96. For the market return we have considered the average return of the S & P 500 index for the last 10 years and for the risk-free rate, we used the 10-year Treasury note rate of 1.43% (as of December 20, 2021). Using the CAPM model, the cost of equity of this company is 8.71%. Its average interest rate on long-term debt is 4.56%. These figures lead to a WACC of 7.22%. We used 2% as the terminal growth rate, which reflects that title insurance is closely tied to the economy and that the real estate market is cyclical. Also the title insurance industry is in the mature stage. Companies in this industry can differentiate themselves by providing efficient ervice but there is no way to improve the products that they are already offering.

Bullish and Bearish Scenario: We calculated our intrinsic value of the stock to see what the upside or downside will be if the economic condition changes drastically by changing revenue growth rate, percentage of total expenses/revenue, tax rate, depreciation rate. Based on our analysis, if the economy becomes bullish in the future, the intrinsic value will be $117 implying 47% upside on the closing price of $79.48 on January 12th, 2022. On the other hand, if the economy gets bearish in the future year, the intrinsic value will be $73 implying 8% downside on the closing price of $79.48 on January 12th, 2022.

Key Indicators	Bear Case Scenario					Base Case Scenario					Bull Case Scenario				
	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E
Revenue Growth	26%	-9%	-5%	-4%	-1%	29%	-7%	-3%	-3%	-1%	31%	-6%	-3%	-2%	-1%
Total Expense / Revenue	89%	89%	89%	89%	89%	88%	87%	86%	86%	87%	86%	85%	84%	84%	84%
PPE Growth Rate	0.40%	0.40%	0.40%	0.40%	0.40%	0.67%	0.52%	0.63%	0.63%	0.61%	0.70%	0.60%	0.65%	0.65%	0.65%
Depreciation Rate	37%	37%	37%	37%	37%	28%	30%	30%	30%	30%	26%	26%	26%	26%	26%
Target Price	$73					$94					$117				
Upside / Downside Potential	-8%					18%					47%				

Monte Carlo (Geometric Brownian Motion): Our GBM estimate assumes that price returns are normally distributed with expected return of m (μ) = 0.18 and standard deviation of sigma = 0.26. To derive the mean and standard deviation we used the last twelve years of daily price data. We have considered a 100,000 sample size to determine the stock price movement. Based on our analysis, we derived the average price of $87. There is a 30% probability that the stock price will go above $94 (DCF Intrinsic Value). On the other hand, there is a 19% probability that the stock price will go down below $73 (Gray Sky).

Sensitivity Analysis: Since FAF's revenue is tied to the economy, the level of the riskiness may increase and investors may require an additional risk premium for onboarding that risk. Moreover, since FAF is planning to increase its operations and market share through acquisitions, it may affect their growth rate as well. Additional events that could affect our intrinsic value include ESG concerns in terminal years, which could add onto our WACC. To address this possible scenario, we have done a sensitivity analysis by changing the WACC and terminal growth to see to what extent the change in those variables affect the intrinsic value.

		WACC					
		6.22%	6.72%	7.22%	7.72%	8.22%	8.72%
Terminal Growth Rate	2.05%	$ 141.70	$ 114.66	$ 93.07	$ 75.47	$ 60.89	$ 48.63
	2.06%	$ 142.14	$ 115.00	$ 93.33	$ 75.68	$ 61.06	$ 48.77
	2.07%	$ 142.59	$ 115.34	$ 93.60	$ 75.90	$ 61.23	$ 48.92
	2.08%	$ 143.04	$ 115.68	$ 93.87	$ 76.11	$ 61.41	$ 49.06
	2.09%	$ 143.50	$ 116.03	$ 94.14	$ 76.33	$ 61.58	$ 49.20
	2.10%	$ 143.95	$ 116.38	$ 94.41	$ 76.54	$ 61.76	$ 49.34
	2.11%	$ 144.41	$ 116.72	$ 94.68	$ 76.76	$ 61.93	$ 49.49
	2.12%	$ 144.87	$ 117.07	$ 94.95	$ 76.97	$ 62.11	$ 49.63
	2.13%	$ 145.33	$ 117.42	$ 95.23	$ 77.19	$ 62.28	$ 49.78
	2.14%	$ 145.79	$ 117.78	$ 95.50	$ 77.41	$ 62.46	$ 49.92

Relative Valuation: To determine the accuracy of our BUY recommendation, we calculated the target price of FAF using valuation multiples: P/E and EV/EBITDA. For our competitors, we have considered the companies whose business operations and risk exposures are similar to FAF. The intrinsic value that has been calculated using P/E ratio is $94.60, implying 19% upside on the closing price of $79.48 on January 12th, 2022. Similarly, we also derived the intrinsic value using EV/EBITDA multiple and the value is $97.56 implying 23% upside on the closing price of $79.48 on January 12th, 2022.

INVESTMENT RISKS

R1: Mortgage Interest Rate Sensitivity

Probability: Moderate, Impact: High

Mortgage interest rates have shown to heavily influence both the refinance revenue and purchase segments of First American's business. With interest rate hikes expected to occur throughout this year, this could influence customers' decisions to borrow money in order to purchase property, leading to less transactions and lower revenue projections. Refinancing activity could fall more than we project.

R2: Overall Economic Conditions

Probability: Moderate, Impact: High

First American's success is largely tied to the health of the overall economy. Strong economic conditions such as low unemployment, wage growth, low interest rates, favorable government policies (Tax credits or deductions, etc.), along with positive gross domestic product (GDP) all create a vigorous market between buyers and sellers.

R3: Labor Market Sensitivity

Probability: Moderate, Impact: High

Overall labor markets have shown to have a severe impact on the willingness of consumers to purchase property. This is because consumers base their major transaction decisions on their individual future income streams and their ability to pay back borrowed loans over time.

R4: Cybersecurity

Probability: Low, Impact: Moderate

With First American's main competitive advantage being their reliance on access to a large amount of user data, they are vulnerable to potential cybersecurity threats. We believe that this is a risk due to prior cybersecurity leaks from First American in 2019 and 2021, where user data was leaked due to First American's failure to secure their customers' personal information in their da-

-tabases. If access to their data is lost or becomes corrupted as in the past, First American may lose their technological advantage, which is a main driver of the company's growth and revenue.

R5: Regulatory Environment

Probability: Low/Moderate, Impact: Moderate

Changes in current policy or laws could adversely affect the economy or the real estate market. For example, President Biden is proposing a bill that would eliminate the 1031 tax exchange of like-kind properties. The 1031 tax exchange was created for investors to sell one property and replace it with a "like-kind" property and defer capital gains taxes. The elimination of this would hurt the real estate market, and ultimately First American.

R6: COVID-19 Omicron/Mutation Response

Probability: Low/Moderate, Impact: Moderate

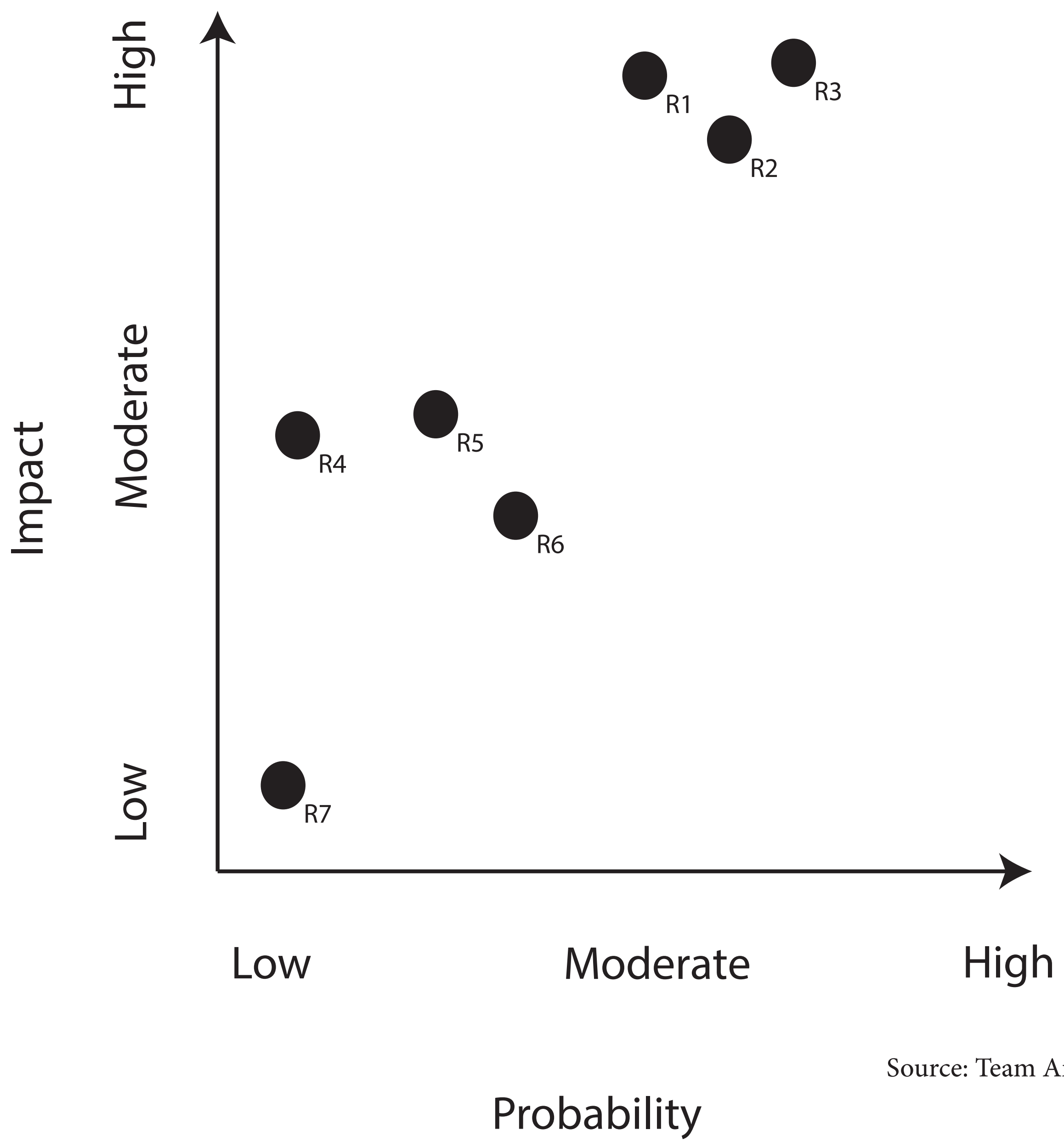
New variants of COVID-19 may cause a prolonged pandemic impact, which has been acknowledged by First American as being the main component behind the company's volatile financials and operational changes. Should the pandemic continue, this may result in continued uncertainty in production and resource management within the company, leading to lower projected income and overall valuation.

R7: Lack of ESG Emphasis

Probability: Low, Impact: Low

Compared to other industries such as technology and investment financial services, we don't believe that ESG had high emphasis in the title insurance space. Because of the lack of alignment in ESG emphasis between First American and their vision of long-term sustainability in their industry, we believe that this may cause their current long-term investors to lose confidence in the company in the distant future.

Risk Dot Plot



Source: Team Analysis

Appendix A - Balance Sheet

Balance Sheet - Assets ($mm)	2016	2017	2018	2019	2020
Cash and Cash Equivalents	$ 1,006,138	$ 1,387,226	$ 1,467,129	$ 1,485,959	$ 1,275,466
Accounts and Accrued Income Receivable	299,799	311,084	325,686	324,385	385,086
Income Taxes Receivable	67,970	38,673	11,007	10,967	951
Deposits with Banks	21,222	41,335	36,209	44,422	45,856
Debt Securities	4,553,363	4,752,684	5,713,811	5,913,636	6,354,822
Equity Securities	404,085	466,516	353,535	392,318	464,126
Other Investments	162,029	117,768	121,965	239,067	350,016
Total Investments	**5,140,699**	**5,378,303**	**6,225,520**	**6,589,443**	**7,214,820**
Secured Financings Receivable	0	0	76,311	287,459	748,312
Property and Equipment, Net	434,050	439,569	457,840	442,014	445,132
Operating Lease Assets	0	0	0	291,385	265,963
Title Plants and Other Indexes	564,309	568,452	577,467	579,674	584,785
Deferred Income Taxes	20,037	22,803	16,636	18,283	14,484
Goodwill	1,017,417	1,113,005	1,144,166	1,150,908	1,378,628
Other Intangible Assets, Net	78,898	99,913	109,372	91,833	194,474
Other Assets	202,460	214,194	219,501	246,857	287,887
Total Assets	**8,831,777**	**9,573,222**	**10,630,635**	**11,519,167**	**12,795,988**

Balance Sheet - Liabilities ($mm)	2016	2017	2018	2019	2020
Deposits	$ 2,779,478	$ 3,070,566	$ 3,786,183	$ 3,337,431	$ 3,276,949
Accounts Payable	59,269	68,460	47,079	58,576	56,035
Personnel Costs	193,825	194,357	199,711	218,415	314,467
Pension Costs and Other Retirement Plans	400,412	401,083	386,264	439,390	452,093
Other	140,449	129,257	145,634	103,975	157,138
Current Liabilities	3,573,433	3,863,723	4,564,871	4,157,787	4,256,682
Deferred Revenue	228,905	240,822	243,280	252,331	271,977
Reserve for Known and Incurred but Not Reported Claims	1,025,863	1,028,933	1,042,679	1,063,044	1,178,004
Income Taxes Payable	10,376	4,602	8,988	25,475	53,784
Deferred Income Taxes	242,158	219,307	217,097	266,108	291,220
Operating Lease Liabilities	0	0	0	322,776	295,762
Secured Financings Payable	0	0	76,313	278,412	516,155
Notes and Contracts Payable	736,693	732,810	732,019	728,232	1,010,756
Total Liabilities	**5,817,428**	**6,090,197**	**6,885,247**	**7,094,165**	**7,874,340**
Commitments and Contingencies (Notes 18 and 19)	0	0	808,332	1,006,644	0
Additional Paid-In Capital	2,191,756	2,236,351	2,258,290	2,300,926	2,214,935
Retained Earnings	1,046,822	1,311,112	1,644,165	2,161,049	2,655,495
Accumulated Other Comprehensive Loss	(230,400)	(67,509)	(160,575)	(41,492)	39,541
Total Stockholders' Equity	3,008,179	3,479,955	3,741,881	4,420,484	4,909,972
Noncontrolling Interests	6,170	3,070	3,507	4,518	11,676
Total Equity	**3,014,349**	**3,483,025**	**3,745,388**	**4,425,002**	**4,921,648**
Total Liabilities and Shareholders' Equity	**8,831,777**	**9,573,222**	**10,630,635**	**11,519,167**	**12,795,988**

Appendix B - Income Statement

Income Statement ($mm)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Direct premiums and escrow fees	$2,416,039	$2,461,854	$2,507,669	$2,659,273	$2,987,525	$3,846,142	$3,579,311	$3,472,074	$3,384,410	$3,356,747
Agent premiums	2,286,630	2,360,659	2,284,906	2,373,140	2,759,455	3,552,524	3,306,064	3,207,013	3,126,041	3,100,490
Information and other	723,990	776,214	781,467	787,831	1,013,360	1,304,600	1,214,092	1,177,718	1,147,982	1,138,599
Net investment income	126,134	162,402	230,289	315,413	221,290	284,889	265,124	257,181	250,688	248,639
Net realized investment gains (losses)	23,053	11,234	(56,487)	66,404	105,037	135,225	125,843	122,073	118,991	118,018
Total Revenue	**5,575,846**	**5,772,363**	**5,747,844**	**6,202,061**	**7,086,667**	**9,123,381**	**8,490,435**	**8,236,058**	**8,028,112**	**7,962,494**
Personnel costs	1,756,633	1,723,539	1,748,949	1,806,005	1,941,477	2,706,110	2,487,074	2,403,240	2,322,517	2,300,514
Premiums retained by agents	1,801,571	1,863,356	1,799,836	1,874,266	2,184,420	2,863,803	2,649,491	2,552,403	2,482,779	2,473,729
Other operating expenses	853,841	1,055,886	900,208	923,298	1,119,108	1,458,749	1,369,025	1,292,300	1,260,139	1,262,733
Provision for policy losses and other claims	488,601	450,410	452,633	446,040	579,507	726,399	662,405	642,541	625,141	629,509
Depreciation and amortization	99,047	128,053	125,927	129,021	148,979	127,365	133,073	134,287	137,069	138,698
Impairments on disposition of business (Note 2)	0	0	0	0	54,935	0	0	0	0	0
Premium taxes	66,358	69,801	69,775	70,612	77,504	106,660	98,904	95,210	91,877	91,220
Total Expenses	**5,066,051**	**5,291,045**	**5,097,328**	**5,249,242**	**6,105,930**	**7,989,087**	**7,399,971**	**7,119,981**	**6,919,522**	**6,896,403**
EBIT	**509,795**	**481,318**	**650,516**	**952,819**	**980,737**	**1,134,294**	**1,090,463**	**1,116,077**	**1,108,590**	**1,066,091**
Interest	32,214	35,987	40,978	47,801	57,467	69,826	72,795	70,568	68,121	63,745
EBT	**477,581**	**445,331**	**609,538**	**905,018**	**923,270**	**1,064,467**	**1,017,668**	**1,045,509**	**1,040,468**	**1,002,346**
Income taxes	134,105	23,468	133,640	195,170	222,774	214,956	223,410	229,597	228,490	220,909
Net income	**343,476**	**421,863**	**475,898**	**709,848**	**700,496**	**849,511**	**794,258**	**815,913**	**811,979**	**781,436**

Appendix C - Free Cash Flow

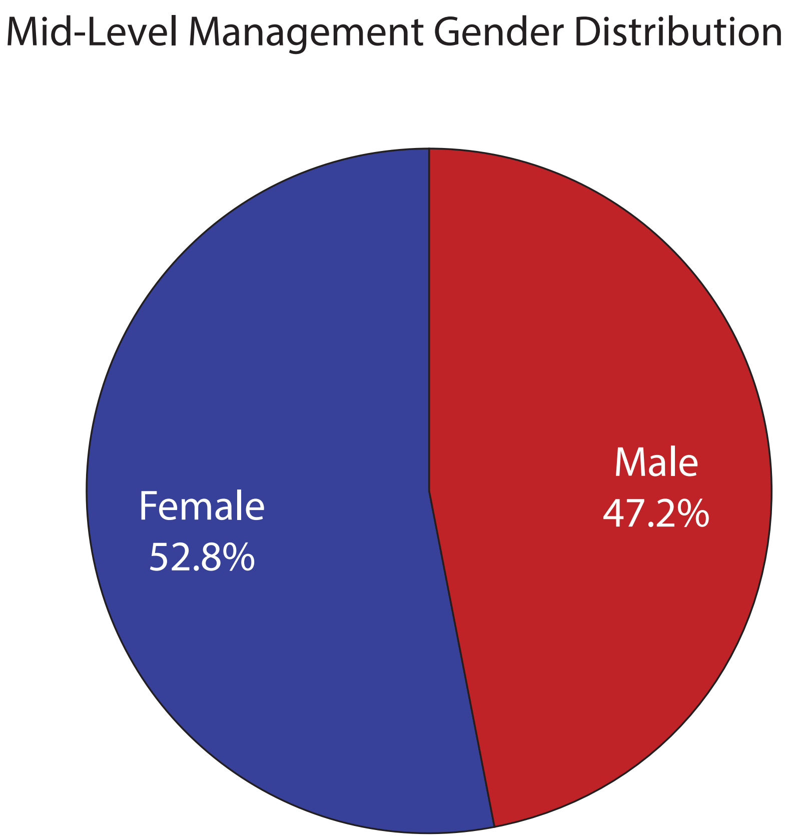
Free Cash Flow ($mm)	2021E	2022E	2023E	2024E	2025E
EBIT	$ 1,134,294	$ 1,090,463	$ 1,116,077	$ 1,108,590	$ 1,066,091
Tax Rate (%)	22.0%	22.0%	22.0%	22.0%	22.0%
EBIT (1-tc)	884,749	851,072	870,984	865,140	831,132
Plus: Depreciation	127,365	133,073	134,287	137,069	138,698
Less: Capital investment	2,979	2,324	2,843	2,861	2,794
Less: Change in WC	141,261	89,735	(534,217)	(139,082)	(495,326)
FCF	867,874	892,086	1,536,645	1,138,431	1,462,363
PV of Discount Factor	0.93	0.87	0.81	0.76	0.71
PV of FCF	809,433	775,988	1,246,654	861,397	1,031,992

Appendix D - ESG Report Card

FAF ESG Report Card (A-F)	
ESG 2020	**Score**
Environmental	**B-**
Reduced Emissions	B
Susatinable Use of Resources	B-
Reduce Waste	C
Social	**C**
Affordable Healthcare	C
Disaster Readiness and Aid	C
Equal Pay	C
Mental Health	C
LGBTQ Equality	C
Racial Justice	D+
Reduced Inequality	D-
Governance	**B**
Fair Labor Practices	C-
Accountable Institutions	D+
Independent Directors	B+
Governance Structure	A
Overall Score	**C**

Source: Ethos ESG, Team Analysis

Appendix E - Gender Distribution



Appendix F - Industry Comparison

Industry Comparison					
Operating Margin %	**2016A**	**2017A**	**2018A**	**2019A**	**2020A**
First American Financial Corporation	9.10%	8.30%	11.30%	15.30%	14.60%
Industry Average	10.00%	9.18%	9.38%	12.33%	13.40%
Net Margin %					
First American Financial Corporation	6.10%	7.30%	8.20%	11.40%	9.80%
Industry Average	6.48%	6.75%	6.28%	11.03%	9.63%
Loss Ratio % **					
First American Financial Corporation	3.90%	3.80%	3.80%	3.90%	4.50%
Industry Average	4.00%	4.60%	4.07%	4.33%	4.77%
Insurance Reserves / Premiums					
First American Financial Corporation	10.39%	9.34%	9.44%	8.86%	10.08%
Industry Average	27.43%	28.08%	26.51%	26.09%	28.93%
Debt / Equity					
First American Financial Corporation	24.40%	21.00%	21.50%	30.00%	37.00%
Industry Average	22.30%	21.15%	18.58%	19.10%	23.58%
ROA %					
First American Financial Corporation	4.00%	3.30%	4.00%	5.40%	5.30%
Industry Average	3.76%	3.61%	3.61%	6.03%	5.02%
ROE %					
First American Financial Corporation	11.59%	13.00%	13.10%	17.30%	14.99%
Industry Average	9.82%	10.73%	10.35%	17.10%	15.70%
EPS					
First American Financial Corporation	3.09	3.76	4.19	6.22	6.16
Industry Average	2.06	2.24	3.04	4.24	5.69

Source: Refinitiv and CapIQ

***Old Republic was ommitted due to its low % of title revenue*

Appendix G - Relative Valuation Output

Particulars	**P/E**		**EV/EBITDA**	
	Mean	**Median**	**Mean**	**Median**
Industry Average	8.76	8	6.29	5.14
FAF Multiples	7.05		4.9	
Intrinsic Value	$94.60		$97.56	
Upside Potential	19.01%		23.25%	

Source: Team Analysis

Appendix H - Economic Indicators

Economic Indicators	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Mortgage Interest Rate	3.65%	3.99%	4.54%	3.94%	3.12%	2.96%	3.96%	4.24%	4.75%	4.87%
Fed Fund Rate	0.40	1.00	1.83	2.16	0.38	0.08	0.08	1.67	2.31	2.46
Inflation	1.26%	2.13%	2.44%	1.81%	1.24%	4.69%	2.60%	2.25%	2.10%	2.00%
House Price Index (HPI) (In Thousands)	231.1	245.5	260.1	274.5	296.2	350.1	356.3	399.7	414.5	429.3
Gross Domestic Product (GDP, Nominal)	2.69%	4.20%	5.38%	4.12%	-2.24%	-3.88%	3.90%	2.30%	2.00%	1.90%
Wage Rate ($)	$ 25.64	$ 26.32	$ 27.11	$ 27.99	$ 29.36	$ 30.52	$ 31.61	$ 32.40	$ 33.21	$ 34.04
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.5%	3.4%	3.6%	3.9%

Source: Team Analysis

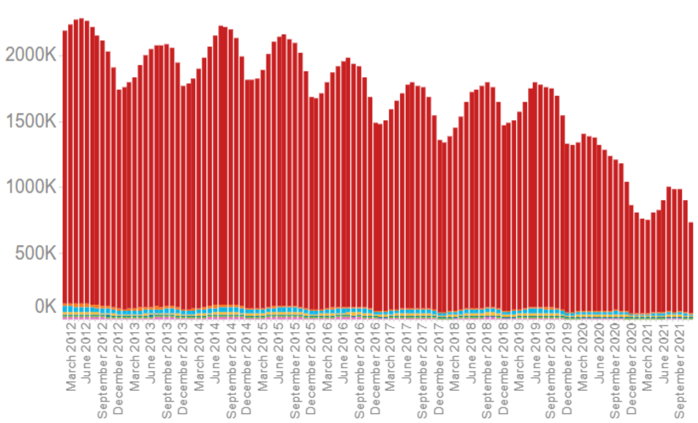
Appendix I - Conclusion of Valuation Models

Conclusion of Valuation Models	
Valuation Model	**12-Month Target Price**
Discounted Cash Flow (DCF)	**$ 94.00**
EV/EBITA	**$ 97.00**
Price-to-Earnings (P/E) Multiple	**$ 95.00**
Monte Carlo	**$ 87.00**
Average	**$ 93.25**
Median	**$ 94.50**
Final Conclusion	**$ 94.00**

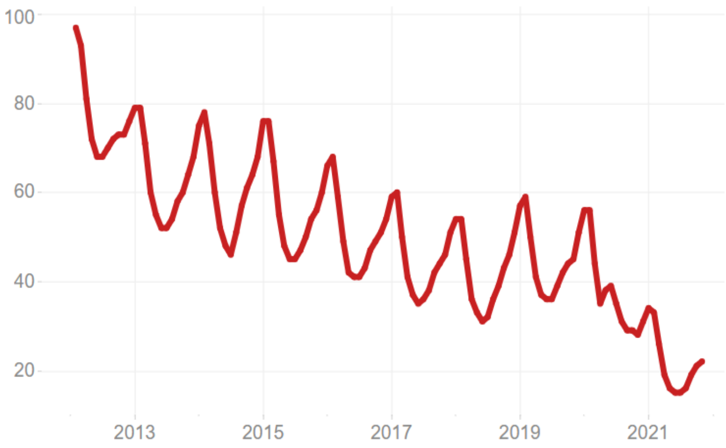
Source: Team Analysis

Appendix J - Redfin Data

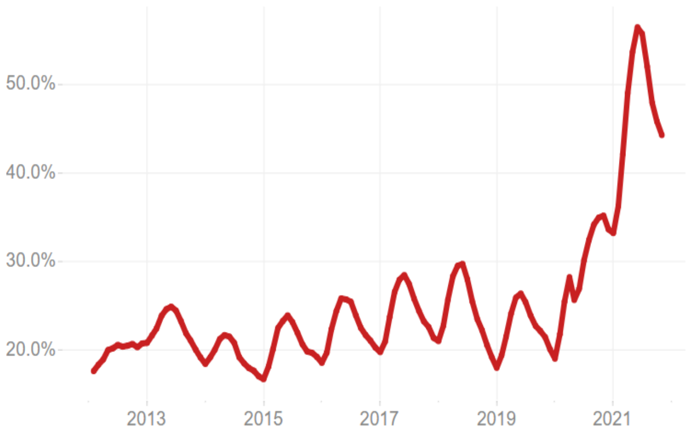
All Homes for Sale



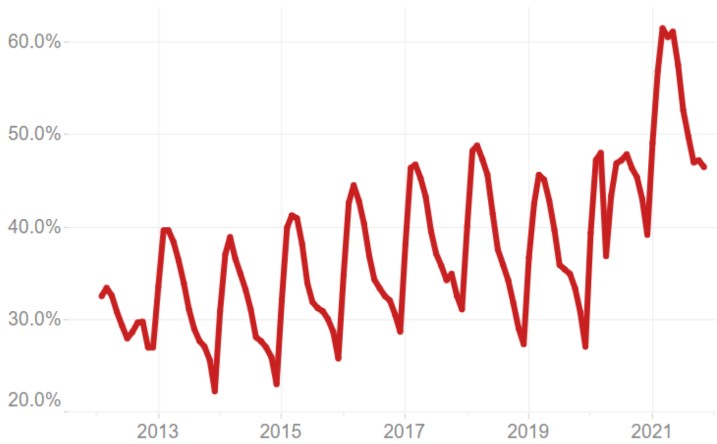
Median Days on Market



Percentage of Homes Sold Above Asking



Percentage of Homes Pending within 2 Weeks



Porter's Five Forces Analysis

Bargaining power of supplier: **Low (1)**
The revenue stream of the title insurance industry depends on the macroeconomic factors such as mortgage interest rate, house price index, inflation, wage, the rate of housing construction, state regulation and demographic. When the macroeconomic factors are favorable with respect to the buyers, the industry shows an upward trend and vice versa. Since the mechanism of this industry is closely tied to the economy, the suppliers have limited to no power to bargain and hence, it can be said that the bargaining power of the customer is low.
Bargaining power of the customers: **Moderate to High (4)**
Title insurance industry is mostly concentrated within the major players. So, the customers have the plenty of options to choose. The customers have the power to negotiate the premium for which the switching cost is relatively low. On the other hand, for this industry, customer satisfaction plays an important role as parties related to the transaction are typically concerned with time schedules and costs associated with delays in closing transactions. This provides customers the power to bargain on the premium or fees. Sometimes, the title insurance premium or fee structure depend on the state regulations which may give an additional advantage to the customers. So, it can be said that the bargaining power of the customers as moderate to high.

Threat of substitute: **Low (1) / Insignificant**
When customers decide to buy a home or refinance the mortgage when the mortgage interest rate becomes low, they are highly encouraged to purchase title insurance to avoid any kind of defects on the title of the properties or mortgage loans. Even though there are a broad range of insurance policies offered in the market, there is no similar policy that can cover up the title defects. So, it can be said that the threat of substitute is very low or insignificant for this industry.

Threat of new entrants: **Low (1)**
Title insurance industry requires the companies to follow an extensive set of government regulations. State regulators have supervisory agencies that can issue or revoke licenses of the policy issuer, approve accounting practices and set capital and surplus requirements which means a new policy issuer must have a certain level of capital to start the business operations. Since all the companies are required to strictly follow all these government regulations, new entrants sometimes get discouraged or do not get the opportunity to start their business in this industry. Moreover, the title insurance industry is highly concentrated. Fidelity National Financial Inc., First American Financial Corporation, Old Republic International Corp. and Stewart Information Services Corporation hold 89.8% of the market share. It becomes difficult for the new entrants to make profit as they have to compete with these major players with respect to policy pricing without increasing the policy volume significantly. As a result, their operating costs get higher without realizing any economies of scale. Based on this scenario, it can be said that the threat of new entrants is very low in this industry.
Competitive Rivalry: **High (5)**

The industry is heavily concentrated among Fidelity National Financial Inc., First American Financial Corporation, Old Republic International Corp. and Stewart Information Services Corporation and each of them have significant percentage of market shares. Due to this reason, the competition in this industry is very high. Companies in this industry is mainly based on the service, quality, price, and customer relationships. On the top of that, companies always have to come up with new technological infrastructure to provide better solutions to the customers. Due to this innovation and technology, companies can lower the policy prices. Customers prefer to take insurance policies from companies that provide services with lower premium and hassle which may have a great impact on the market share. To protect their market share, companies always need to invest a large amount of money in technologies to come up with better solutions for their customers, otherwise their market shares can be taken by competitors. So, it can be said that the competitive rivalry is very high for this industry.

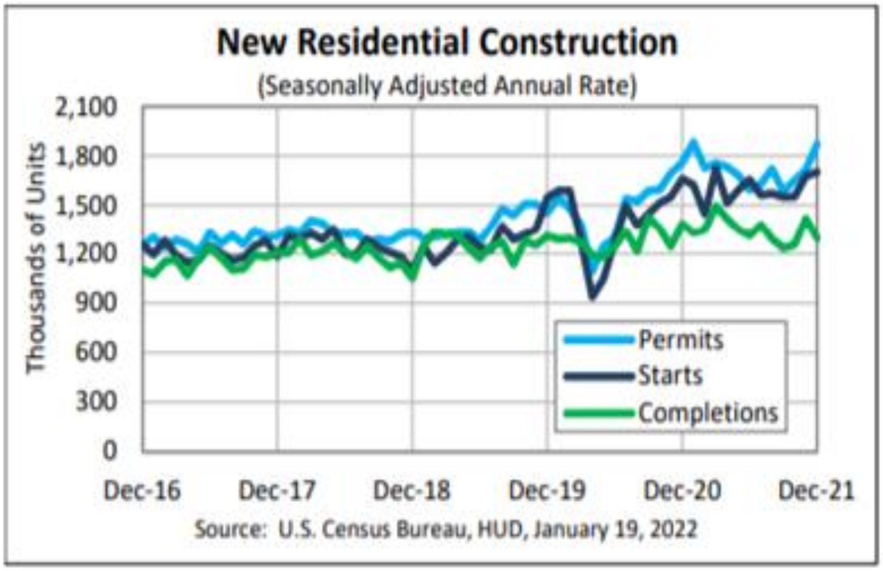
Appendix K – Comparison with the Market Indexes

Source: www.tradingview.com

Appendix L – Comparison with the Market Players

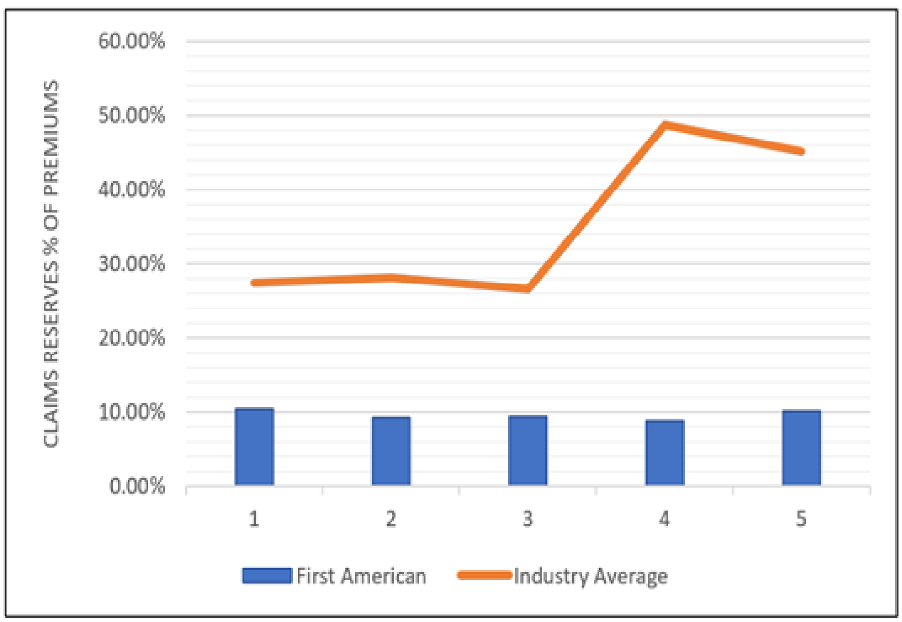
Source: www.tradingview.com

Appendix M – New Residential Construction Data



Source: U.S. Census Bureau

Appendix N - Claims Reserves % of Premiums



Source: Team Analysis

Appendix O - Interest Rate Forecast

Interest Rate Forecast			
Calendar Year 2022			
Lawren Yun	Chief Economist	National Association of Realtors (NAR)	3.70%
Michael Frantoni	Chief Economist	Mortgage Bankers Association (MBA)	4.00%
Daryl Fairweather	Chief Economist	Redfin	3.60%
Joel Kan	Economist	Mortgage Bankers Association (MBA)	4.00%
Len Kiefer	Chief Economist	Freddie Mac	3.60%
Rick Sharga	Executive Vice President	Realty Trac	3.75%
Selma Hepp	Deputy Chief Economist	Corelogic	3.40%
Al Lord	Founder	Lexert Capital Management	3.75%
Bruce Ailion	Real Estate Attorney	Self Employed	4.00%
Than Merrill	CEO	Fortune Builders	4.00%
Lyle Solomon	Principal Attorney	Oak View Law Group	4.00%
Danielle Hale	Chief Economist	Realtor.com	3.60%
Greg McBride	Chief Financial Analyst	Bankrate	3.75%
SUMMARY		**Average Forecast**	**3.78%**
		Median Forecast	**3.75%**
		UC RIVERSIDE	**3.96%**
Calendar Year 2023			
The Economy Forecast Agency		www.longforecast.com/mortgage-interest-rates	4.63%
Mortgage Bankers Association (MBA)		MBA Forecast Commentary, December 21, 2021	4.30%
Calendar Year 2024			
The Economy Forecast Agency		www.longforecast.com/mortgage-interest-rates	4.69%
Mortgage Bankers Association (MBA)		MBA Forecast Commentary, December 21, 2021	4.30%
Calendar Year 2025			
The Economy Forecast Agency		www.longforecast.com/mortgage-interest-rates	5.12%

Source: Team Analysis

Appendix P - P/E ratio

PRICE TO EARNINGS RATIO and RETURN ON EQUITY (ROE)							
Company	**Ticker Symbol**	**Current Share Price**	**Earnings / Share (TTM)**	**Price / Earnings**	**Net Income (2020)**	**Shareholder's Equity (2020)**	**Return on Equity (ROE)**
First American Financial Corporation	FAF	$ 79.54	11.29	7.05	$ 696,429	$ 4,921,648	14.2%
Fidelity Information Financial, Inc.	FNF	$ 55.87	9.29	6.01	$ 1,427,000	$ 8,392,000	17.0%
Old Republic International Corparation	ORI	$ 26.07	4.73	5.51	$ 558,600	$ 6,186,600	9.0%
Stewart Information Services Corporation	STC	$ 77.67	11.00	7.06	$ 154,905	$ 1,012,406	15.3%
Title Insurance Companies	**Average**	**$ 59.79**	**9.08**	**6.41**	**$ 709,234**	**$ 5,128,164**	**13.87%**
	Median	**$ 66.77**	**10.15**	**6.53**	**$ 627,515**	**$ 5,554,124**	**14.73%**
Assurant, Inc.	AIZ	$ 154.89	22.64	6.84	$ 441,800	$ 5,954,800	7.4%
CNA Financial Corporation	CNA	$ 47.02	4.85	9.69	$ 690,000	$ 12,707,000	5.4%
Cincinnati Financial Corporation	CINF	$ 121.81	15.53	7.84	$ 1,216,000	$ 10,789,000	11.3%
Markel Corporation	MKL	$ 1,276.61	173.49	7.36	$ 816,030	$ 12,814,681	6.4%
The Allstate Corporation	ALL	$ 124.08	10.83	11.46	$ 5,576,000	$ 30,217,000	18.5%
The Hanover Insurance Group, Inc.	THG	$ 139.08	11.43	12.17	$ 358,700	$ 3,202,200	11.2%
Insurance Companies	**Average**	**$ 310.58**	**39.80**	**9.23**	**$ 1,516,422**	**$ 12,614,114**	**10.02%**
	Median	**$ 131.58**	**13.48**	**8.77**	**$ 753,015**	**$ 11,748,000**	**9.31%**
CBRE Group, Inc.	CBRE	$ 104.50	4.29	24.4	$ 751,989	$ 7,078,326	10.6%
Colliers International Group Inc.	CIGI	$ 138.74	-9.54	-14.5	$ 49,074	$ 582,406	8.4%
Jones Lang LaSalle Inc.	JLL	$ 254.68	15.12	16.8	$ 402,500	$ 5,520,800	7.3%
Marcus & Millichap, Inc.	MMI	$ 48.86	2.60	18.8	$ 42,835	$ 546,836	7.8%
Real Estate Companies	**Average**	**$ 136.70**	**3.12**	**11.36**	**$ 311,600**	**$ 3,432,092**	**8.54%**
	Median	**$ 121.62**	**3.45**	**17.82**	**$ 225,787**	**$ 3,051,603**	**8.13%**
KB Home	KBH	$ 49.04	6.01	8.16	$ 296,243	$ 2,665,769	11.1%
Lennar Corporation	LEN	$ 108.16	14.27	7.58	$ 2,436,647	$ 17,994,856	13.5%
Toll Brothers, Inc.	TOL	$ 66.44	6.63	10.02	$ 446,624	$ 4,875,235	9.2%
Pulte Group, inc.	PHM	$ 57.09	6.47	8.82	$ 1,406,839	$ 6,569,989	21.4%
D.R. Horton	DHI	$ 98.53	11.41	8.64	$ 2,373,700	$ 11,840,000	20.0%
Beazer Homes USA, Inc.	BZH	$ 21.88	4.01	5.46	$ 52,226	$ 593,171	8.8%
Residential Builders	**Average**	**$ 66.86**	**8.13**	**8.11**	**$ 1,168,713**	**$ 7,423,170**	**14.01%**
	Median	**$ 61.77**	**6.55**	**8.40**	**$ 926,732**	**$ 5,722,612**	**12.33%**
OVERALL	**Average**	**$ 152.53**	**16.82**	**8.76**	**$ 1,009,707**	**$ 7,723,236**	**11.69%**
	Median	**$ 89.04**	**10.06**	**8.00**	**$ 624,300**	**$ 6,070,700**	**10.87%**

Source: finviz.com & Yahoo Finance as of January 14, 2022

Source: Team Analysis