

Fidelity National Financial, Inc.
Form 10-Q
May 05, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

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

For the quarterly period ended March 31, 2011

Commission File Number 1-32630

FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

16-1725106

(I.R.S. Employer
Identification Number)

601 Riverside Avenue, Jacksonville, Florida

(Address of principal executive offices)

(904) 854-8100

32204

(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES R NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES R NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO R

As of April 30, 2011, there were 223,266,576 shares of the Registrant's Common Stock outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended March 31, 2011
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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

| | March 31, 2011 (Unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Investments: | | |
| Fixed maturity securities available for sale, at fair value, at March 31, 2011 and December 31, 2010 includes \$265.1 and \$251.9, respectively, of pledged fixed maturity securities related to secured trust deposits | \$3,482.4 | \$ 3,494.3 |
| Preferred stock available for sale, at fair value | 50.2 | — |
| Equity securities available for sale, at fair value | 68.3 | 75.2 |
| Investments in unconsolidated affiliates | 553.3 | 527.7 |
| Other long-term investments | 135.1 | 132.7 |
| Short-term investments | 57.3 | 128.6 |
| Total investments | 4,346.6 | 4,358.5 |
| Cash and cash equivalents, at March 31, 2011 and December 31, 2010 includes \$148.8 and \$146.2, respectively, of pledged cash related to secured trust deposits | 530.6 | 580.8 |
| Trade and notes receivables, net of allowance of \$27.7 and \$28.8, respectively, at March 31, 2011 and December 31, 2010 | 247.5 | 270.7 |
| Goodwill | 1,471.0 | 1,470.7 |
| Prepaid expenses and other assets | 409.4 | 389.1 |
| Capitalized software, net | 42.7 | 44.0 |
| Other intangible assets, net | 149.4 | 155.2 |
| Title plants | 390.3 | 390.8 |
| Property and equipment, net | 178.7 | 179.9 |
| Income taxes receivable | — | 15.7 |
| Deferred tax assets | 34.6 | 32.1 |
| Total assets | \$7,800.8 | \$ 7,887.5 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$617.4 | \$ 700.3 |
| Accounts payable to related parties | 7.1 | 8.3 |
| Deferred revenue | 120.7 | 121.4 |
| Notes payable | 952.0 | 952.0 |
| Reserve for claim losses | 2,237.8 | 2,272.7 |
| Secured trust deposits | 400.0 | 388.4 |
| Income taxes payable | 14.1 | — |
| Total liabilities | 4,349.1 | 4,443.1 |
| Equity: | | |
| Common stock, Class A, \$0.0001 par value; authorized 600,000,000 shares as of March 31, 2011 and December 31, 2010; issued 252,494,937 as of March 31, 2011 and 252,184,269 as of December 31, 2010 | — | — |
| Preferred stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none | — | — |

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| | | |
|---|-----------|------------|
| Additional paid-in capital | 3,753.5 | 3,745.0 |
| Retained earnings | 125.9 | 110.3 |
| Accumulated other comprehensive earnings | 5.9 | 12.6 |
| Less: treasury stock, 29,248,355 shares and 28,435,980 shares as of March 31, 2011 and December 31, 2010, respectively, at cost | (452.0) | (440.8) |
| Total Fidelity National Financial, Inc. shareholders' equity | 3,433.3 | 3,427.1 |
| Noncontrolling interests | 18.4 | 17.3 |
| Total equity | 3,451.7 | 3,444.4 |
| Total liabilities and equity | \$7,800.8 | \$ 7,887.5 |

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share data)

| | Three months ended March 31, | |
|--|------------------------------------|---------|
| | 2011 | 2010 |
| | (Unaudited) | |
| Revenues: | | |
| Direct title insurance premiums | \$322.9 | \$281.4 |
| Agency title insurance premiums | 423.3 | 483.8 |
| Escrow, title related and other fees | 313.2 | 294.5 |
| Specialty insurance | 92.8 | 86.3 |
| Interest and investment income | 36.1 | 38.8 |
| Realized gains and losses, net | 19.9 | 28.6 |
| Total revenues | 1,208.2 | 1,213.4 |
| Expenses: | | |
| Personnel costs | 391.3 | 370.7 |
| Other operating expenses | 285.4 | 299.0 |
| Agent commissions | 327.7 | 384.4 |
| Depreciation and amortization | 20.5 | 23.0 |
| Provision for claim losses | 86.7 | 86.3 |
| Interest expense | 14.3 | 7.1 |
| Total expenses | 1,125.9 | 1,170.5 |
| Earnings before income taxes and equity in losses of unconsolidated affiliates | 82.3 | 42.9 |
| Income tax expense | 29.6 | 13.3 |
| Earnings before equity in losses of unconsolidated affiliates | 52.7 | 29.6 |
| Equity in losses of unconsolidated affiliates | (8.6) | (10.7) |
| Net earnings | 44.1 | 18.9 |
| Less: Net earnings attributable to noncontrolling interests | 1.6 | 2.4 |
| Net earnings attributable to Fidelity National Financial, Inc. common shareholders | \$42.5 | \$16.5 |
| Earnings per share | | |
| Basic and diluted net earnings attributable to Fidelity National Financial, Inc. common shareholders | \$0.19 | \$0.07 |
| Weighted average shares outstanding, basic basis | 220.7 | 227.5 |
| Weighted average shares outstanding, diluted basis | 223.6 | 230.3 |
| Cash dividends per share | \$0.12 | \$0.15 |
| See Notes to Condensed Consolidated Financial Statements | | |

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (In millions)

| | Three months ended March 31, | |
|---|---------------------------------|---------|
| | 2011 | 2010 |
| | (Unaudited) | |
| Net earnings | \$44.1 | \$18.9 |
| Other comprehensive earnings: | | |
| Unrealized (loss) gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1) | (11.1) | 13.3 |
| Unrealized gain on investments in unconsolidated affiliates (2) | 6.1 | 0.4 |
| Unrealized gain on foreign currency translation (3) | 0.6 | 1.6 |
| Reclassification adjustments for change in unrealized gains and losses included in net earnings (4) | (2.3) | (20.0) |
| Other comprehensive losses | (6.7) | (4.7) |
| Comprehensive earnings | 37.4 | 14.2 |
| Less: Comprehensive earnings attributable to noncontrolling interests | 1.6 | 2.4 |
| Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders | \$35.8 | \$11.8 |

(1) Net of income tax (benefit) expense of \$(6.8) million and \$7.7 million for the three-month periods ended March 31, 2011 and 2010, respectively.

(2) Net of income tax expense of \$3.7 million and \$0.2 million for the three-month periods ended March 31, 2011 and 2010, respectively.

(3) Net of income tax expense of \$0.4 million and \$0.9 million for the three-month periods ended March 31, 2011 and 2010, respectively.

(4) Net of income tax expense of \$1.4 million and \$11.6 million for the three-month periods ended March 31, 2011 and 2010, respectively.

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In millions)

(Unaudited)

| | Fidelity National Financial, Inc. Common Shareholders | | | | | | | | |
|--|---|--------|----------------------------|-------------------|--|----------------|-----------|--------------------------|-----------|
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Earnings | Treasury Stock | | Noncontrolling Interests | |
| | Shares | Amount | | | | Shares | Amount | | |
| Balance, December 31, 2010 | 252.2 | \$— | \$3,745.0 | \$110.3 | \$12.6 | 28.5 | \$(440.8) | \$17.3 | \$3,444.4 |
| Exercise of stock options | 0.3 | — | 2.0 | — | — | — | — | — | 2.0 |
| Treasury stock repurchased | — | — | — | — | — | 0.7 | (11.2) | — | (11.2) |
| Other comprehensive earnings — unrealized loss on investments and other financial instruments (excluding investments in unconsolidated affiliates) | — | — | — | — | (13.4) | — | — | — | (13.4) |
| Other comprehensive earnings — unrealized gain on investments in unconsolidated affiliates | — | — | — | — | 6.1 | — | — | — | 6.1 |
| Other comprehensive earnings — unrealized gain on foreign currency translation | — | — | — | — | 0.6 | — | — | — | 0.6 |
| Stock-based compensation | — | — | 6.5 | — | — | — | — | — | 6.5 |
| Dividends declared | — | — | — | (26.9) | — | — | — | — | (26.9) |
| Subsidiary dividends paid to noncontrolling interests | — | — | — | — | — | — | — | (0.5) | (0.5) |
| Net earnings | — | — | — | 42.5 | — | — | — | 1.6 | 44.1 |
| Balance, March 31, 2011 | 252.5 | \$— | \$3,753.5 | \$125.9 | \$5.9 | 29.2 | \$(452.0) | \$18.4 | \$3,451.7 |

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Three months ended
March 31,
2011