

Fidelity National Financial, Inc.
Form 10-Q
May 02, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

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

Commission File Number 1-32630
FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)
Delaware 16-1725106
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

601 Riverside Avenue, Jacksonville, Florida 32204
(Address of principal executive offices) (Zip Code)
(904) 854-8100

(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 NO

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 NO

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 Accelerated filer Non-accelerated filer Smaller reporting company

(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 NO

The number of shares outstanding of the Registrant's common stock as of April 30, 2016 were:

FNF Group Common Stock 274,043,227

FNFV Group Common Stock 68,716,364

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QUARTERLY REPORT
Quarter Ended March 31, 2016
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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at March 31, 2016 and December 31, 2015 includes pledged fixed maturity securities of \$328 and \$342, respectively, related to secured trust deposits	\$ 2,641	\$ 2,558
Preferred stock available for sale, at fair value	295	289
Equity securities available for sale, at fair value	365	345
Investments in unconsolidated affiliates	598	521
Other long-term investments	107	106
Short-term investments, at March 31, 2016 and December 31, 2015 includes short term investments of \$172 and \$266, respectively, related to secured trust deposits	569	1,034
Total investments	4,575	4,853
Cash and cash equivalents, at March 31, 2016 and December 31, 2015 includes \$355 and \$108, respectively, of pledged cash related to secured trust deposits	1,083	780
Trade and notes receivables, net of allowance of \$25 and \$32, at March 31, 2016 and December 31, 2015, respectively	487	496
Goodwill	4,766	4,760
Prepaid expenses and other assets	618	615
Capitalized software, net	548	553
Other intangible assets, net	930	969
Title plants	395	395
Property and equipment, net	541	510
Total assets	\$ 13,943	\$ 13,931
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,180	\$ 1,283
Notes payable	2,742	2,793
Reserve for title claim losses	1,595	1,583
Secured trust deposits	840	701
Income taxes payable	46	45
Deferred tax liability	621	594
Total liabilities	7,024	6,999
Commitments and Contingencies:		
Redeemable non-controlling interest by 21% minority holder of ServiceLink Holdings, LLC	344	344
Equity:		
FNF Group common stock, \$0.0001 par value; authorized 487,000,000 shares as of March 31, 2016 and December 31, 2015; outstanding of 274,338,136 and 275,781,160 as of March	—	—

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31, 2016 and December 31, 2015, respectively, and issued of 282,851,946 and 282,394,970 as of March 31, 2016 and December 31, 2015, respectively

FNFV Group common stock, \$0.0001 par value; authorized 113,000,000 shares as of March 31, 2016 and December 31, 2015; outstanding of 69,016,364 and 72,217,882 as of March 31, 2016 and December 31, 2015, respectively, and issued of 80,581,466 as of both March 31, 2016 and December 31, 2015	—	—
Preferred stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	4,809	4,795
Retained earnings	1,390	1,374
Accumulated other comprehensive loss	(31) (69)
Less: treasury stock, 20,078,912 shares as of March 31, 2016 and 14,977,394 shares as of December 31, 2015, at cost	(441) (346)
Total Fidelity National Financial, Inc. shareholders' equity	5,727	5,754
Non-controlling interests	848	834
Total equity	6,575	6,588
Total liabilities, redeemable non-controlling interest and equity	\$ 13,943	\$ 13,931
See Notes to Condensed Consolidated Financial Statements		

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in millions, except per share data)

	Three months ended March 31, 2016 2015 (Unaudited)	
Revenues:		
Direct title insurance premiums	\$422	\$417
Agency title insurance premiums	530	441
Escrow, title related and other fees	779	808
Restaurant revenue	293	364
Interest and investment income	30	31
Realized gains and losses, net	(6)	—
Total revenues	2,048	2,061
Expenses:		
Personnel costs	652	623
Agent commissions	402	333
Other operating expenses	432	466
Cost of restaurant revenue	245	306
Depreciation and amortization	100	100
Provision for title claim losses	52	51
Interest expense	34	31
Total expenses	1,917	1,910
Earnings from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	131	151
Income tax expense	49	50
Earnings from continuing operations before equity in earnings (losses) of unconsolidated affiliates	82	101
Equity in earnings (losses) of unconsolidated affiliates	2	(1)
Net earnings from continuing operations	84	100
Less: Net earnings attributable to non-controlling interests	10	14
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	\$74	\$86
Amounts attributable to Fidelity National Financial, Inc. common shareholders		
Net earnings attributable to FNF Group common shareholders	\$73	\$86
Net earnings attributable to FNFV Group common shareholders	\$1	\$—
Earnings per share		
Basic		
Net earnings per share attributable to FNF Group common shareholders	\$0.27	\$0.31
Net earnings per share attributable to FNFV Group common shareholders	\$0.01	\$—
Diluted		
Net earnings per share attributable to FNF Group common shareholders	\$0.26	\$0.30
Net earnings per share attributable to FNFV Group common shareholders	\$0.01	\$—

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Weighted average shares outstanding FNF Group common stock, basic basis	274	278
Weighted average shares outstanding FNF Group common stock, diluted basis	281	288
Cash dividends paid per share FNF Group common stock	\$0.21	\$0.19
Weighted average shares outstanding FNFV Group common stock, basic basis	70	90
Weighted average shares outstanding FNFV Group common stock, diluted basis	72	92
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, 2016 2015 (Unaudited)	
Net earnings	\$84	\$100
Other comprehensive earnings (loss):		
Unrealized gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	21	9
Unrealized gain (loss) on investments in unconsolidated affiliates (2)	13	(12)
Unrealized gain (loss) on foreign currency translation (3)	4	(4)
Other comprehensive earnings (loss)	38	(7)
Comprehensive earnings	122	93
Less: Comprehensive earnings attributable to non-controlling interests	10	14
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	\$112	\$79
Comprehensive earnings attributable to FNF Group common shareholders	\$99	\$91
Comprehensive earnings (loss) attributable to FNFV Group common shareholders	\$13	\$(12)

(1) Net of income tax expense of \$13 million and \$5 million for the three-month periods ended March 31, 2016 and 2015, respectively.

(2) Net of income tax expense (benefit) of \$8 million and \$(8) million for the three-month periods ended March 31, 2016 and 2015, respectively.

(3) Net of income tax expense (benefit) of \$2 million and \$(2) million for the three-month periods ended March 31, 2016 and 2015, 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									
	FNF Group Common Stock	FNFV Group Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Non-controlling Interests	Total Equity	Redeemable Non-controlling Interests	
Balance, December 31, 2015	282	\$-81	\$-4,795	\$ 1,374	\$ (69)	15 \$(346)	\$ 834	\$6,588	\$ 344	
Exercise of stock options	1	—	5	—	—	—	—	5	—	
Treasury stock repurchased	—	—	—	—	—	5 (95)	—	(95)	—	
Other comprehensive earnings	—	—	—	—	21	—	—	—	—	
unrealized gain on investments and other financial instruments	—	—	—	—	—	—	—	—	—	