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FIRST AMERICAN CORP
Form 8-K
February 11, 2004

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) February 11, 2004

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 7. Exhibits.

| Exhibit No. ----- | Description ----- |
|----------------------|----------------------|
| 99.1 | Press Release. |

Item 12. Results of Operations and Financial Condition.

On February 11, 2004, The First American Corporation announced its financial results for the fourth quarter and year ended December 31, 2003. The full text of the press release issued in connection with the announcement is attached hereto as Exhibit 99.1.

The information in this current report and the exhibit hereto is being "furnished" pursuant to Item 12 of Form 8-K. As such, this information is not deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act and is not incorporated by reference into any filings with the SEC unless it

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shall be explicitly so incorporated in such filings.

SIGNATURES

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

THE FIRST AMERICAN CORPORATION

Date: February 11, 2004

By: /s/ Thomas A. Klemens

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

EXHIBIT 99.1

THE FIRST AMERICAN CORPORATION REPORTS RECORD RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2003 - Net Income for the Quarter Increases 14 Percent -

SANTA ANA, Calif., Feb. 11, 2004 - The First American Corporation (NYSE: FAF), the nation's largest data provider, today announced all-time record results for the fourth quarter and year ended Dec. 31, 2003:

| | Three Months Ended December 31 | | Twelve Months End December 31 | |
|--|-----------------------------------|-----------------|----------------------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| Total revenues | \$ 1.61 billion | \$ 1.37 billion | \$ 6.21 billion | \$ 4.70 billion |
| Income before income taxes and minority interests | \$174.7 million | \$152.3 million | \$838.7 million | \$449.9 million |
| Net income | \$ 94.1 million | \$ 82.8 million | \$451.0 million | \$234.4 million |
| Net income per diluted share | \$1.07 | \$1.01 | \$5.22 | \$4.88 |

Summary of Operations

"2003 was an exceptionally strong year," stated Parker S. Kennedy, president and chief executive officer of The First American Corporation. "In our real estate-related businesses, continued low interest rates generated record home sales and mortgage originations paving the way for First American's record results in the company's Financial Services and Information Technology groups. Our other businesses, such as subprime credit information, screening information, auto credit and other data products, respond to different cycles and generally will experience strong sales as the national economy improves."

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Quarterly Financial Highlights

Financial Services Group:

- o Revenues for the fourth quarter 2003 were \$1.21 billion, an increase of 14.1 percent when compared with \$1.06 billion for the fourth quarter of 2002.
- o Pretax income was \$109.3 million, a decrease of 1.4 percent when compared with \$110.8 million in the prior year quarter.
- o Pretax margins declined to 9.0 percent compared with 10.4 percent for the fourth quarter 2002.

Information Technology Group:

- o Revenues for the fourth quarter 2003 were \$394.7 million, an increase of 26.6 percent when compared with \$311.8 million for the prior year quarter.
- o Pretax income was \$90.8 million, an increase of 18 percent when compared with \$77.0 million in the prior year quarter.
- o Pretax margins declined to 23 percent compared with 24.7 percent for the fourth quarter 2002.

2004 Outlook

Kennedy continued: "On the real estate side of our company, as our mix of business has shifted to residential resale and builder business and away from heavy refi activities, 2004 will follow a typical seasonal pattern not seen in the past 2 1/2 years. Our first quarter will be slow due to weather conditions, with improvements beginning in the spring and summer months. Looking ahead, we believe 2004 in total will be another strong year enhanced by our FAST technology solutions, off-shore production, data leverage and bundling of products and services, resulting in opportunities to increase market share and deliver solid bottom-line results.

"Our recent acquisition of Transamerica's tax and flood businesses positively impacted our fourth-quarter results. The integration is ahead of schedule. The combination of the Transamerica businesses with our existing tax service and flood certification divisions creates the dominant provider in each product line.

"As First American becomes more widely recognized as the leading provider of data and information to the real estate, business, automobile and consumer industries, we expect to fully maximize shareholder value."

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Teleconference/Webcast

First American's fourth-quarter and year-end results will be discussed in more detail on Wednesday, Feb.11, 2004, at 10 a.m. EST via teleconference. The dial-in number is (888) 955-3516 and the pass code is FIRST AMERICAN. The live audio webcast of the call will be available on First American's Web Site at www.firstam.com/investor. An audio replay of the conference call will be available through Feb. 17, 2004, by dialing (402) 344-6816. An audio archive of the call will also be available for replay on First American's Web site. In addition, a copy of the fourth quarter and 2003 year end earnings release, including the financial information contained herein, will be available on the

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company's Web site at www.firstam.com/news.

About First American

The First American Corporation is a Fortune 500 company that traces its history to 1889. As the nation's largest data provider, the company supplies businesses and consumers with information resources in connection with 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 \$6.2 billion in 2003, First American has nearly 30,000 employees in approximately 1,400 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.

Forward-Looking Statements

Certain statements made in this press release, including those related to business in 2004, business in the first quarter of 2004, and shareholder value are forward looking. Risks and uncertainties exist that 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; access to public records and other data; 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, 2002, as 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.

(Additional Financial Data Follows)

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Summary of Earnings (in thousands, except per share amounts)

| | Three Months Ended December 31 | | |
|---|-----------------------------------|-------------|-------|
| | 2003 | 2002 | |
| Total revenues | \$1,612,066 | \$1,374,391 | \$6,2 |
| Income before income taxes and minority interests | \$ 174,717 | \$ 152,272 | \$ 8 |
| Income taxes | \$ 60,800 | \$ 49,800 | \$ 2 |
| Minority interests | \$ 19,798 | \$ 19,660 | \$ |
| Net income | \$ 94,119 | \$ 82,812 | \$ 4 |

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| | | |
|--------------------------------------|--------|--------|
| Net income per share: | | |
| Basic | \$1.20 | \$1.13 |
| Diluted | \$1.07 | \$1.01 |
| Weighted average shares outstanding: | | |
| Basic | 78,288 | 73,101 |
| Diluted | 89,690 | 83,935 |

Cash Provided by Operating Activities
(in thousands)

| | Three Months Ended December 31 | | |
|---------------------------------------|-----------------------------------|------------|------|
| | 2003 | 2002 | |
| Cash provided by operating activities | \$ 172,112 | \$ 210,089 | \$ 8 |

Summary Balance Sheet Information
(in thousands, except per share amounts)

| | December |
|----------------------------|----------|
| Total stockholders' equity | \$1,87 |
| Book value per share | \$ |

Summary Title Insurance Order Counts
From Direct Operations

| | |
|----------------------|---|
| Title orders opened: | |
| October | 1 |
| November | 1 |
| December | 1 |
| Fourth quarter total | 4 |
| Title orders closed: | |
| October | 1 |

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November
December

Fourth quarter total

1
1

4
=====

(Additional Financial Data Follows)

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Selected Financial Data
(Unaudited)
(in thousands)

| | Three Months Ended December 31 | | |
|---|-----------------------------------|--------------|-------|
| | 2003 | 2002 | |
| RESULTS OF OPERATIONS | | | |
| Revenues | | | |
| Operating revenues | \$ 1,572,326 | \$ 1,346,241 | \$ 6, |
| Investment and other income | 23,916 | 28,586 | |
| Net realized investment gains (losses) | 15,824 | (436) | |
| | ----- | ----- | ----- |
| | 1,612,066 | 1,374,391 | 6, |
| Expenses | | | |
| Salaries and other personnel costs | 462,415 | 432,878 | 1, |
| Premiums retained by agents | 477,107 | 377,016 | 1, |
| Other operating expenses | 350,156 | 303,480 | 1, |
| Provision for title losses and other claims | 88,298 | 66,578 | |
| Depreciation and amortization | 34,720 | 23,935 | |
| Premium taxes | 14,721 | 10,177 | |
| Interest | 9,932 | 8,055 | |
| | ----- | ----- | ----- |
| | 1,437,349 | 1,222,119 | 5, |
| Income before income taxes and minority interests | \$ 174,717 | \$ 152,272 | \$ |
| ===== | | | |
| OPERATING REVENUES | | | |
| Financial Services | | | |
| Title Insurance and Services: | | | |
| Direct operations | \$ 543,791 | \$ 532,105 | \$ 2, |
| Agency operations | 590,673 | 461,364 | 2, |
| | ----- | ----- | ----- |
| | 1,134,464 | 993,469 | 4, |
| Specialty Insurance | 55,074 | 42,989 | |
| Trust and Other Services | 8,916 | 9,396 | |
| | ----- | ----- | ----- |
| | 1,198,454 | 1,045,854 | 4, |
| ----- | | | |
| Information Technology | | | |

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| | | | |
|--|--------------|--------------|-------|
| Mortgage Information | 182,847 | 142,910 | |
| Property Information | 88,017 | 75,728 | |
| Credit Information | 53,143 | 55,148 | |
| Screening Information | 49,865 | 26,601 | |
| | ----- | ----- | ----- |
| | 373,872 | 300,387 | 1, |
| | ----- | ----- | ----- |
| Total operating revenues | \$ 1,572,326 | \$ 1,346,241 | \$ 6, |
| | ===== | ===== | ===== |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | | | |
| Financial Services | | | |
| Title Insurance and Services | \$ 100,667 | \$ 101,932 | \$ |
| Specialty Insurance | 7,304 | 6,610 | |
| Trust and Other Services | 1,280 | 2,293 | |
| | ----- | ----- | ----- |
| | 109,251 | 110,835 | |
| | ----- | ----- | ----- |
| Information Technology | | | |
| Mortgage Information | 65,325 | 46,604 | |
| Property Information | 22,530 | 23,389 | |
| Credit Information | 4,726 | 8,439 | |
| Screening Information | (1,753) | (1,409) | |
| | ----- | ----- | ----- |
| | 90,828 | 77,023 | |
| | ----- | ----- | ----- |
| Total before corporate expenses and minority interest | 200,079 | 187,858 | |
| Corporate expense | 25,362 | 35,586 | |
| | ----- | ----- | ----- |
| Income before income taxes and minority interests | \$ 174,717 | \$ 152,272 | \$ |
| | ===== | ===== | ===== |

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Segment Margins
(in thousands, except percentages)

| | Three Months Ended December | | | |
|------------------------------|-----------------------------|--------------|------------|----------|
| | Total revenues | | Pretax (A) | |
| | 2003 | 2002 | 2003 | 2002 |
| | ----- | ----- | ----- | ----- |
| Financial Services | | | | |
| Title Insurance and Services | \$ 1,147,252 | \$ 1,010,195 | \$ 100,667 | \$ 101,9 |
| Specialty Insurance | 58,667 | 45,362 | 7,304 | 6,6 |
| Trust and Other Services | 9,008 | 9,266 | 1,280 | 2,2 |
| | ----- | ----- | ----- | ----- |
| | \$ 1,214,927 | \$ 1,064,823 | \$ 109,251 | \$ 110,8 |
| | ===== | ===== | ===== | ===== |
| Information Technology | | | | |
| Mortgage Information | \$ 199,327 | \$ 145,398 | \$ 65,325 | \$ 46,6 |

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| | | | | |
|-----------------------|--------------|--------------|--------------|--------------|
| Property Information | 92,552 | 82,940 | 22,530 | 23,3 |
| Credit Information | 52,893 | 56,793 | 4,726 | 8,4 |
| Screening Information | 49,900 | 26,648 | (1,753) | (1,4 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| | \$ 394,672 | \$ 311,779 | \$ 90,828 | \$ 77,0 |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |

| | Twelve Months Ended December | | | |
|------------------------------|------------------------------|--------------|--------------|--------------|
| | Total revenues | | Pretax (A) | |
| | 2003 | 2002 | 2003 | 2002 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| Financial Services | | | | |
| Title Insurance and Services | \$ 4,455,238 | \$ 3,437,726 | \$ 494,946 | \$ 271,7 |
| Specialty Insurance | 219,837 | 153,205 | 30,125 | 24,4 |
| Trust and Other Services | 39,645 | 41,687 | 9,683 | 13,5 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| | \$ 4,714,720 | \$ 3,632,618 | \$ 534,754 | \$ 309,7 |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |
| Information Technology | | | | |
| Mortgage Information | \$ 668,765 | \$ 485,206 | \$ 238,508 | \$ 146,8 |
| Property Information | 390,151 | 279,754 | 105,339 | 71,4 |
| Credit Information | 267,074 | 221,761 | 64,291 | 39,2 |
| Screening Information | 166,536 | 100,888 | 4,505 | 2,4 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| | \$ 1,492,526 | \$ 1,087,609 | \$ 412,643 | \$ 260,0 |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |

(A) - Income before income taxes, minority interests and corporate expenses

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