

First American (FAF)

\$62.82 (Stock Price as of 11/19/2025)

Price Target (6-12 Months): **\$68.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/17/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM: B

Value: A

Growth: D

Momentum: C

Summary

Rising home prices and steady refinancing activity should benefit First American as it stays focused on strengthening its core title business. The company has been actively pursuing acquisitions, strengthening distribution relationships and widening international presence, as well as expanding its valuation and data businesses. Continued investment in long-term strategic initiatives, including the expansion of title plant assets and the upgrade of technology solutions to increase efficiency, bodes well. However, First American continues to suffer from lower demand for new homes, challenging the real estate and mortgage industries. Higher mortgage rates and slow inventory growth continue to drag down transaction volumes. A tough mortgage origination market is a concern. High leverage and lower times interest earned are a concern.

Data Overview

52 Week High-Low	\$70.92 - \$53.09
20 Day Average Volume (sh)	802,790
Market Cap	\$6.4 B
YTD Price Change	0.6%
Beta	1.24
Dividend / Div Yld	\$2.20 / 3.5%
Industry	Insurance - Property and Casualty
Zacks Industry Rank	Top 9% (21 out of 243)

Last EPS Surprise	19.7%
Last Sales Surprise	6.8%
EPS F1 Est- 4 week change	7.8%
Expected Report Date	02/11/2026
Earnings ESP	0.0%

P/E TTM	11.6
P/E F1	12.0
PEG F1	0.7
P/S TTM	0.9

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽²⁾



Sales Estimates (millions of \$)⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2026	1,821 E	2,021 E	2,001 E		7,748 E
2025	1,582 A	1,841 A	1,979 A	1,825 E	7,102 E
2024	1,425 A	1,612 A	1,406 A	1,685 A	6,128 A

EPS Estimates⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2026	0.98 E	1.78 E	1.66 E		6.04 E
2025	0.84 A	1.53 A	1.70 A	1.32 E	5.25 E
2024	0.45 A	1.27 A	1.34 A	1.35 A	4.40 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, except the estimates, is as of 11/19/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 10/24/2025.

Overview

Headquartered in Santa Ana, CA., First American Financial serves homebuyers and sellers, real estate professionals, loan originators and servicers, commercial property professionals, homebuilders and others involved in residential and commercial property transactions with products and services specific to their needs. The company was founded in the state of Delaware in January 2008. On Jun 1, 2010, the company's common stock was listed on the New York Stock Exchange.

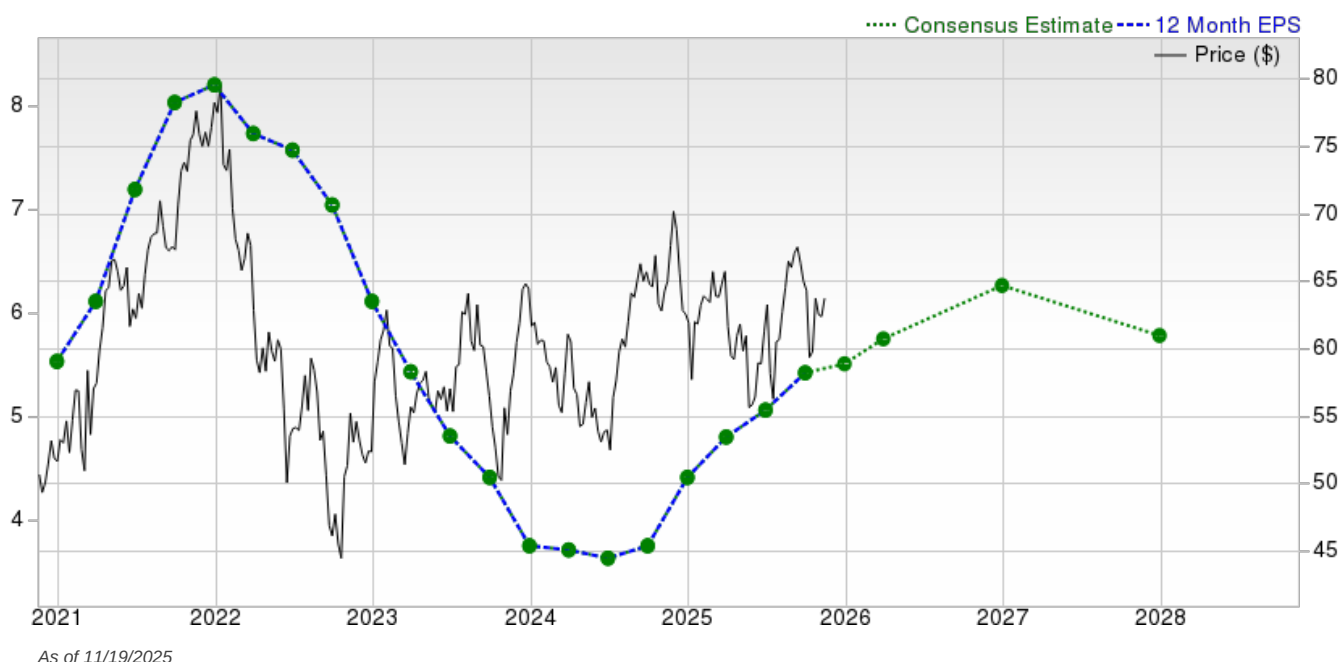
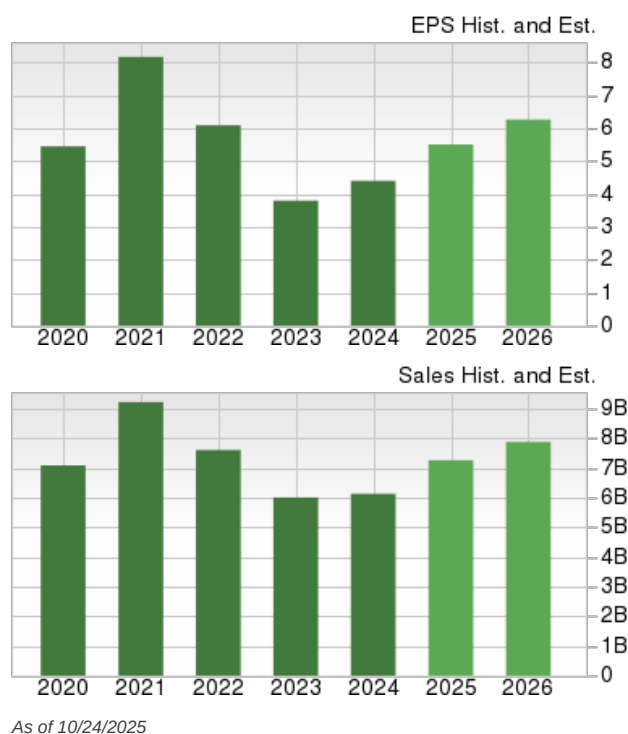
First American Financial core business lines include title insurance and closing/settlement services; property data and automated title plant records and images; home warranty products; property and casualty insurance; banking, trust and wealth management services; and other related products and services. Further, providing banking services via First American Trust enhances agents' efficiency and lowers risk.

The company reports results through its Title Insurance and Services and Home Warranty segments along with a corporate function:

Title insurance and Services segment (83.7% of 2024 Direct premiums and escrow fees) provides title insurance, closing and/or escrow services and similar or related services domestically and internationally in connection with residential and commercial real estate transactions. It also provides products, services and solutions that are designed to mitigate risk or facilitate real estate transactions. This segment offers products through a network of direct operations and agents in 49 states and in the District of Columbia, and Canada, the U.K., Australia, South Korea, and internationally.

Home Warranty (16.3%) business provides residential service contracts that cover residential systems, such as heating and air conditioning systems and certain appliances against failures that occur as the result of normal usage during the coverage period. Fees for the warranties generally are paid at the closing of the home purchase or directly by the consumer. Revenues associated with home warranties sold at the time of home purchase are dependent upon activity in the residential purchase market, which is cyclical and seasonal. The home warranty business currently operates in 35 states and the District of Columbia.

Corporate offers certain financing facilities and corporate services, which support the company's business operations.



Reasons To Buy:

- ▲ The U.S. title insurance industry is dominated by a few major players, like First American Financial, that enjoy significant pricing power. Real estate transaction volumes, which are shaped by interest rates, housing demand and economic stability influence the performance of the industry players. Thus, premium growth is likely to benefit from rising home prices and steady refinancing activity, while technological advancements are improving the speed and efficiency of title searches and closings. As a result, consistent housing demand and continued digital innovation are expected to drive steady growth for industry leaders. The company noted broad-based strength in commercial, led by the industrial sector, which includes data center transactions, a consistently high-performing sub-asset class. Even excluding data centers, the industrial market remains robust, driven by sustained e-commerce demand for logistics and warehouse space.
- ▲ First American stays focused on profitably growing its core title insurance and settlement services business, which accounted for a lion's share of its top line. Growing leadership in title data, benefiting from proprietary data extraction, sturdy distribution relationships, prudent underwriting and strong international presence should continue to drive the segment's performance.
- ▲ First American Financial has been focusing on strategic initiatives to strengthen its product offerings, intensify focus on its core business, invest in technology like Endpoint and redeploy capital to those areas that fetch higher returns. The company pursues title agency buyouts in the regions that it identifies as growth markets. The company continues to make progress at ServiceMac, turning cash flow positive and is currently the fifth largest sub servicer in the market. The acquisition of Mother Lode Holding Company and its 17 operating subsidiaries widened First American's exposure in the crucial growth markets. The assets acquisition of 1031 Solutions, LLC in February 2023 strengthened position in the Rocky Mountain region and surrounding markets as well as offer new growth opportunities.
- ▲ First American utilizes its proprietary data extraction technology through which it has expanded its title plant footprint to over 1,600, which covers around 80% of the U.S. population. The company believes that at the early stages of the next real estate cycle, its industry-leading investments in data, technology and AI position it to outperform as the market strengthens. By modernizing its platforms and integrating AI across its operations, it expects to drive significant productivity gains, reduce risk and unlock new revenue opportunities.
- ▲ The company maintains a high-quality, liquid portfolio of debt and marketable equity securities that is primarily held at its insurance and banking subsidiaries. As of Dec. 31, 2024, 95% of the investment portfolio consisted of debt securities, of which 71% were either United States government-backed or rated AAA/Aaa and 97% were either rated or classified as investment grade or better. Insurers prefer fixed-income investments, such as bonds, because they offer predictable returns that can be used in claims payment, and First American Financial is no exception.
- ▲ Banking on strong operational performance, the company distributes wealth to its shareholders via dividends and share buybacks. Since the beginning of 2022, First American has repurchased 12.2 million shares for a total of \$701 million. The insurer recently raised its dividend by 2% and increased the common stock dividend at a five-year growth rate of 3.3%. Its dividend yield is currently 3.5%, way above the industry average of 0.2%. Also, the payout ratio of 43 compares favorably with the industry average of 6.8. The board also approved a new \$300 million share buyback program in July 2025. These make the stock an attractive pick for yield-seeking investors.
- ▲ Return on equity, a profitability measure that reflects how effectively the company is utilizing its shareholders fund, has been increasing over the last two years. First American's trailing 12-months ROE of 10.4% was better than the industry average of 7.6%.

Increased demand among millennials for first-time home purchases, improved rate environment, strength in commercial business and effective capital deployment should drive growth.

Reasons To Sell:

- ▼ The industry is suffering from lower demand for new homes. The purchase market has been going through a rough phase for the last three years, primarily due to home affordability issues and elevated mortgage rates. Notably, purchase transactions generate more than twice the revenues of refinance transactions at First American Financial.
- ▼ Changes in the fair values of securities in the company's investment portfolio could affect the company's results of operations, statutory surplus, financial condition and cash flow. Changes in interest rates and other changes in general economic conditions can cause fluctuations in the traditional pattern of real estate activity. Residential refinance activity is more volatile than purchase activity and is highly affected by changes in interest rates, whereas Commercial real estate volumes are less sensitive to changes in interest rates but fluctuate based on supply and demand conditions for mortgage financing availability. The year 2024 was challenging for the industry, particularly in the residential purchase and refinance markets. Relatively low inventory, elevated home prices and mortgage rates hovering around 7% have together produced a home sales market.
- ▼ Although a few large players dominate the title insurance industry, competitive pressure can still erode margins, especially when rivals reduce fees or offer incentives to attract clients. Pricing is also subject to strict oversight by state regulators, and efforts to lower closing costs for consumers could limit opportunities for rate increases. These factors may put sustained pressure on underwriting margins and overall profitability. For First American, the key challenge is to remain compliant with regulations while staying price-competitive and upholding service standards.
- ▼ A high debt level of \$1.5 billion, as of Sept. 30, 2025, resulted in a leverage ratio of 30% higher than the industry average of 19.5%. While interest expense increased 6.8% year over year in the first nine months of 2025, its times interest earned, the company's ability to cover its interest expenses with its operating income, of 5.1 compares unfavorably with the industry average of 17. The company must service its debt uninterrupted, else creditworthiness will be dented.

Higher mortgage rates and slow inventory growth and a tough mortgage origination are headwinds for First American.

Last Earnings Report

FAF Q3 Earnings Top on Solid Investment Income, Dividend Raised

First American Financial Corporation reported third-quarter 2025 operating income per share of \$1.70, which beat the Zacks Consensus Estimate by 19.7%. The bottom line increased 26.8% year over year.

The quarterly results reflect higher premiums, improved net investment income, expanded pretax margin, and a declining claim loss rate.

FY Quarter Ending **12/31/2024**

Earnings Reporting Date	Oct 22, 2025
Sales Surprise	6.79%
EPS Surprise	19.72%
Quarterly EPS	1.70
Annual EPS (TTM)	5.42

What's Behind the Headlines for FAF?

Operating revenues of \$1.9 billion increased 40.7% year over year due to higher direct premiums and escrow fees, agent premiums, information and other, as well as improved net investment income. The top line also beat the Zacks Consensus Estimate by 6.8%.

Investment income was \$163.8 million in the third quarter, up 11.7% year over year. Our estimate was \$146.6 million.

Expenses rose 11.7% to \$1.7 billion. Our estimate was \$1.6 billion.

FAF's Segment Results

Title Insurance and Services: Total revenues increased 42% year over year to \$1.8 billion. The upside was due to higher direct premiums and escrow fees, agent premiums, information and other as well as improved net investment income. Our estimate was \$1.7 billion. Investment income of \$153.1 million increased 12.1% year over year. The increase was primarily driven by higher interest income from FAF's investment portfolio. It was partly offset by lower interest income from operating cash due to a decline in balances as well as lower short-term interest rates.

Adjusted pretax margin expanded 130 basis points (bps) year over year to 12.9%. Title open orders increased 15.2% to 191,300. Title closed orders increased 16.6% to 141,800. The average revenue per direct title order increased 22% to \$16,100.

Home Warranty: Total revenues increased 3.3% to \$114.6 million, lower than our estimate of \$115.8 million. Pretax income of \$16 million increased 80% year over year. The claim loss rate declined to 47% in the reported quarter, primarily due to lower claim frequency attributable to favorable weather conditions. The pretax margin was 14.1%, expanding 600 bps year over year.

Corporate: Corporate pretax loss (excluding net recognized investment gains and losses) was \$25 million in the reported quarter, up \$6 million compared with the third quarter of 2024. The increase in the pretax loss was due to \$3 million in higher interest expense in the current quarter and a favorable reserve adjustment that reduced the net loss last year.

FAF's Financial Update

First American exited the quarter with cash and cash equivalents of \$2.91 billion, up 69.4% from the end of 2024. Notes and contracts payable were \$1.5 billion, down 0.07% from the end of 2024.

Stockholders' equity was \$5.3 billion, up 8% from the 2024-end level. The debt-to-capital ratio was 33. FAF bought back shares worth \$34 million in the quarter. Cash flow from operations was \$273 million, up 15.2% year over year.

First American Raises Dividend

The board of directors raised the dividend by 2 cents to \$2.20 per share. The board declared a dividend of 55 cents in the third quarter.

Valuation

First American Financial shares are up 2.1% in the year to date period and down 0.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 6.6% and up 12.7% year to date, respectively. Over the past year, the Zacks sub-industry and sector are up 4.9% and up 13.4% respectively.

The S&P 500 index is up 15.5% year to date and up 17.8% in the past year.

The stock is currently trading at 1.26X price to book, which compares to 1.53X for the Zacks sub-industry, 4.24X for the Zacks sector and 8.84X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.54X and as low as 0.95X, with a 5-year median of 1.26X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$68 price target reflects 1.34X trailing 12-month book value.

The table below shows summary valuation data for FAF

Valuation Multiples - FAF					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.26	1.53	4.24	8.84
	5-Year High	1.54	1.72	4.36	9.19
	5-Year Low	0.95	1.17	2.55	6.62
	5-Year Median	1.26	1.42	3.5	8.02
P/S F12M	Current	0.85	2.22	9.26	5.39
	5-Year High	1.19	10.3	10.05	5.52
	5-Year Low	0.58	1.64	6.57	3.84
	5-Year Median	0.89	2.03	8.21	5.02
P/E F12M	Current	10.83	27.1	17.03	23.51
	5-Year High	15.32	31.83	18.29	23.58
	5-Year Low	6.85	23.27	12.38	15.72
	5-Year Median	10.94	27.8	16.12	21.2

As of 10/23/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 8% (20 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Arch Capital Group L...(ACGL)	Neutral	2
American Financial G...(AFG)	Neutral	3
Axis Capital Holding...(AXS)	Neutral	2
Cincinnati Financial...(CINF)	Neutral	3
RenaissanceRe Holdin...(RNR)	Neutral	3
The Hanover Insuranc...(THG)	Neutral	3
W.R. Berkley Corpora...(WRB)	Neutral	3
Stewart Information ...(STC)	NA	

Industry Comparison ⁽¹⁾ Industry: Insurance - Property And Casualty				Industry Peers	
	FAF	X Industry	S&P 500	AFG	WRB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3
VGM Score	B	-	-	C	C
Market Cap	6.40 B	3.44 B	37.10 B	11.55 B	29.45 B
# of Analysts	3	3	21	3	7
Dividend Yield	3.50%	0.46%	1.54%	2.54%	0.46%
Value Score	A	-	-	B	C
Cash/Price	0.45	0.14	0.04	0.16	0.12
EV/EBITDA	6.72	8.09	14.14	8.93	12.98
PEG Ratio	0.70	2.07	2.19	NA	2.96
Price/Book (P/B)	1.20	1.55	3.22	2.44	3.00
Price/Cash Flow (P/CF)	9.75	12.90	14.39	11.82	19.73
P/E (F1)	11.97	11.26	19.57	14.34	18.19
Price/Sales (P/S)	0.90	1.31	2.96	1.40	2.01
Earnings Yield	8.77%	8.83%	5.10%	6.98%	5.50%
Debt/Equity	0.00	0.14	0.57	0.38	0.29
Cash Flow (\$/share)	6.44	4.42	8.99	11.71	3.93
Growth Score	D	-	-	D	B
Hist. EPS Growth (3-5 yrs)	-11.89%	17.96%	8.17%	-0.84%	28.71%
Proj. EPS Growth (F1/F0)	19.32%	22.94%	8.37%	-10.14%	2.90%
Curr. Cash Flow Growth	11.53%	14.42%	7.00%	1.03%	13.09%
Hist. Cash Flow Growth (3-5 yrs)	-3.94%	11.50%	7.32%	-1.18%	16.42%
Current Ratio	1.24	0.50	1.18	0.55	0.37
Debt/Capital	0.00%	13.30%	38.16%	27.79%	22.46%
Net Margin	6.80%	11.36%	12.75%	9.66%	13.01%
Return on Equity	11.01%	16.54%	17.04%	18.05%	18.86%
Sales/Assets	0.44	0.33	0.53	0.26	0.35
Proj. Sales Growth (F1/F0)	15.90%	4.11%	5.42%	-0.60%	8.20%
Momentum Score	B	-	-	A	D
Daily Price Chg	1.27%	0.30%	-0.83%	-0.32%	0.52%
1 Week Price Chg	2.16%	2.03%	-3.35%	-0.43%	2.71%
4 Week Price Chg	2.87%	3.33%	-1.75%	5.73%	3.33%
12 Week Price Chg	-5.11%	3.12%	2.34%	3.08%	9.08%
52 Week Price Chg	-5.18%	6.41%	11.84%	0.01%	28.76%
20 Day Average Volume	802,790	236,841	2,896,048	472,180	3,274,463
(F1) EPS Est 1 week change	1.79%	0.00%	0.00%	1.94%	0.00%
(F1) EPS Est 4 week change	7.76%	5.48%	0.40%	3.43%	0.47%
(F1) EPS Est 12 week change	7.76%	7.61%	0.58%	2.46%	0.91%
(Q1) EPS Est Mthly Chg	8.94%	0.48%	-0.06%	3.51%	-2.61%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	D
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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