

Fidelity National Financial, Inc.
Form 10-Q
October 29, 2015
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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 September 30, 2015

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 (I.R.S. Employer
incorporation or organization) 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

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The number of shares outstanding of the Registrant's common stock as of September 30, 2015 were:

FNF Group Common Stock 277,517,179

FNFV Group Common Stock 75,805,382

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QUARTERLY REPORT
Quarter Ended September 30, 2015
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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)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at September 30, 2015 and December 31, 2014 includes pledged fixed maturity securities of \$337 and \$499, respectively, related to secured trust deposits	\$ 2,661	\$ 3,025
Preferred stock available for sale, at fair value	292	223
Equity securities available for sale, at fair value	323	145
Investments in unconsolidated affiliates	682	770
Other long-term investments	104	172
Short-term investments, at September 30, 2015 and December 31, 2014 includes short term investments of \$113 and \$146, respectively, related to secured trust deposits	625	334
Total investments	4,687	4,669
Cash and cash equivalents, at September 30, 2015 and December 31, 2014 includes \$248 and \$136, respectively, of pledged cash related to secured trust deposits	1,018	700
Trade and notes receivables, net of allowance of \$31 and \$32, at September 30, 2015 and December 31, 2014, respectively	562	504
Goodwill	4,731	4,721
Prepaid expenses and other assets	583	484
Capitalized software, net	564	570
Other intangible assets, net	1,010	1,110
Title plants	394	393
Property and equipment, net	487	635
Income taxes receivable	—	59
Total assets	\$ 14,036	\$ 13,845
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,308	\$ 1,308
Notes payable	2,811	2,803
Reserve for title claim losses	1,605	1,621
Secured trust deposits	684	622
Income taxes payable	66	—
Deferred tax liability	613	703
Total liabilities	7,087	7,057
Commitments and Contingencies:		
Redeemable non-controlling interest by 21% minority holder of ServiceLink Holdings, LLC as of September 30, 2015 and 33% minority holder of Black Knight Financial Services, LLC and 35% minority holder of ServiceLink Holdings, LLC as of December 31, 2014	344	715

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Equity:

FNF Group common stock, \$0.0001 par value; authorized 487,000,000 shares as of September 30, 2015 and December 31, 2014; outstanding of 277,517,179 and 279,443,239 as of September 30, 2015 and December 31, 2014, respectively, and issued of 281,342,841 and 279,824,125 as of September 30, 2015 and December 31, 2014, respectively	—	—
FNFV Group common stock, \$0.0001 par value; authorized 113,000,000 shares as of September 30, 2015 and December 31, 2014; outstanding of 75,805,382 and 92,828,470 as of September 30, 2015 and December 31, 2014, respectively, and issued of 80,581,466 and 92,946,545 as of September 30, 2015 and December 31, 2014, respectively	—	—
Preferred stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	4,772	4,855
Retained earnings	1,294	1,150
Accumulated other comprehensive (loss) earnings	(65) 2
Less: treasury stock, 8,601,746 shares as of September 30, 2015 and 493,737 shares as of December 31, 2014, at cost	(209) (13
Total Fidelity National Financial, Inc. shareholders' equity	5,792	5,994
Non-controlling interests	813	79
Total equity	6,605	6,073
Total liabilities, redeemable non-controlling interest and equity	\$ 14,036	\$ 13,845
See Notes to Condensed Consolidated Financial Statements		

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

	Three months ended September 30, 2015		Nine months ended September 30, 2014	
	(Unaudited)		(Unaudited)	
Revenues:				
Direct title insurance premiums	\$524	\$465	\$1,488	\$1,249
Agency title insurance premiums	647	528	1,685	1,450
Escrow, title related and other fees	852	736	2,517	2,097
Restaurant revenue	349	343	1,084	1,055
Interest and investment income	30	28	93	93
Realized gains and losses, net	(10)	(7)	(19)	(6)
Total revenues	2,392	2,093	6,848	5,938
Expenses:				
Personnel costs	680	626	1,993	1,888
Agent commissions	495	396	1,279	1,098
Other operating expenses	476	411	1,424	1,247
Cost of restaurant revenue	302	296	921	899
Depreciation and amortization	102	101	306	302
Provision for title claim losses	65	59	185	169
Interest expense	34	32	97	96
Total expenses	2,154	1,921	6,205	5,699
Earnings from continuing operations before income taxes and equity in earnings of unconsolidated affiliates	238	172	643	239
Income tax expense	81	65	219	79
Earnings from continuing operations before equity in losses of unconsolidated affiliates	157	107	424	160
Equity in losses of unconsolidated affiliates	(19)	(7)	(16)	(43)
Net earnings from continuing operations	138	100	408	117
Net loss from discontinued operations, net of tax	—	(13)	—	(1)
Net earnings	138	87	408	116
Less: Net earnings (loss) attributable to non-controlling interests	6	(15)	20	(75)
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	\$132	\$102	\$388	\$191
Amounts attributable to Fidelity National Financial, Inc. common shareholders				
Net earnings from continuing operations attributable to Old FNF common shareholders	\$—	\$—	\$—	\$77
Net earnings from discontinued operations attributable to Old FNF common shareholders	\$—	\$—	\$—	\$12
Net earnings attributable to Old FNF common shareholders	\$—	\$—	\$—	\$89
Net earnings attributable to FNF Group common shareholders	\$150	\$114	\$396	\$114
	\$(18)	\$1	\$(8)	\$1

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Net (loss) earnings from continuing operations attributable to FNFV Group common shareholders					
Net loss from discontinued operations attributable to FNFV Group common shareholders	\$—	\$(13)	\$—	\$(13)	
Net loss attributable to FNFV Group common shareholders	\$(18)	\$(12)	\$(8)	\$(12)	
See Notes to Condensed Consolidated Financial Statements					

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - Continued
 (In millions, except per share data)

	Three months ended September 30, 2015		Nine months ended September 30, 2014	
	2014		2015	
	(Unaudited)		(Unaudited)	
Earnings per share				
Basic				
Net earnings per share from continuing operations attributable to Old FNF common shareholders	\$—	\$—	\$—	\$0.29
Net earnings per share from discontinued operations attributable to Old FNF common shareholders	—	—	—	0.04
Net earnings per share attributable to Old FNF common shareholders	\$—	\$—	\$—	\$0.33
Net earnings per share attributable to FNF Group common shareholders	\$0.54	\$0.41	\$1.42	\$0.41
Net (loss) earnings per share from continuing operations attributable to FNFV Group common shareholders	(0.24)	0.01	(0.10)	0.01
Net loss per share from discontinued operations attributable to FNFV Group common shareholders	—	(0.14)	—	(0.14)
Net loss per share attributable to FNFV Group common shareholders	\$(0.24)	\$(0.13)	\$(0.10)	\$(0.13)
Diluted				
Net earnings per share from continuing operations attributable to Old FNF common shareholders	\$—	\$—	\$—	\$0.28
Net earnings per share from discontinued operations attributable to Old FNF common shareholders	—	—	—	0.04
Net earnings per share attributable to Old FNF common shareholders	\$—	\$—	\$—	\$0.32
Net earnings per share attributable to FNF Group common shareholders	\$0.53	\$0.40	\$1.38	\$0.40
Net (loss) earnings per share from continuing operations attributable to FNFV Group common shareholders	(0.24)	0.01	(0.10)	0.01
Net loss per share from discontinued operations attributable to FNFV Group common shareholders	—	(0.14)	—	(0.14)
Net loss per share attributable to FNFV Group common shareholders	\$(0.24)	\$(0.13)	\$(0.10)	\$(0.13)
Weighted average shares outstanding Old FNF common stock, basic basis	—	—	—	183
Weighted average shares outstanding Old FNF common stock, diluted basis	—	—	—	189
Cash dividends paid per share Old FNF common stock	\$—	\$—	\$—	\$0.36
Weighted average shares outstanding FNF Group common stock, basic basis	277	275	278	92
Weighted average shares outstanding FNF Group common stock, diluted basis	285	284	286	94
Cash dividends paid per share FNF Group common stock	\$0.21	\$0.18	\$0.59	\$0.18
Weighted average shares outstanding FNFV Group common stock, basic basis	76	92	81	31

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Weighted average shares outstanding FNFV Group common stock, diluted basis 78 93 84 31
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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Net earnings	\$138	\$87	\$408	\$116
Other comprehensive loss:				
Unrealized (loss) gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	(19)	(12)	(30)	9)
Unrealized loss on investments in unconsolidated affiliates (2)	(19)	(7)	(24)	(8)
Unrealized loss on foreign currency translation (3)	(2)	(8)	(9)	(5)
Reclassification adjustments for change in unrealized gains and losses included in net earnings (4)	—	1	—	—
Minimum pension liability adjustment (5)	(4)	—	(4)	—
Other comprehensive loss	(44)	(26)	(67)	(4)
Comprehensive earnings	94	61	341	112
Less: Comprehensive earnings (loss) attributable to non-controlling interests	6	(15)	20	(75)
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	\$88	\$76	\$321	\$187
Comprehensive earnings attributable to Old FNF common shareholders	\$—	\$—	\$—	\$111
Comprehensive earnings attributable to FNF Group common shareholders	\$125	\$100	\$357	\$100
Comprehensive loss attributable to FNFV Group common shareholders	\$(37)	\$(24)	\$(32)	\$(24)

Net of income tax (benefit) expense of \$(12) million and \$(7) million for the three-month periods ended (1) September 30, 2015 and 2014, respectively, and \$(18) million and \$5 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

Net of income tax benefit of \$12 million and \$4 million for the three-month periods ended September 30, 2015 and (2) 2014, respectively, and \$15 million and \$5 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

Net of income tax benefit of \$1 million and \$5 million for the three-month periods ended September 30, 2015 and (3) 2014, respectively, and \$6 million and \$3 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

(4) Net of income tax expense of less than \$1 million for the three-month period ended September 30, 2014.

(5) Net of income tax benefit of \$2 million for both the three and nine-month periods ended September 30, 2015.

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 Shares	FNFV Group Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock Shares	Non- controlling Interests	Total Equity	Redeemable Non- controlling Interests	
Balance, December 31, 2014	280	\$— 93	\$— \$ 4,855	\$ 1,150	\$ 2	—	\$(13)	\$ 79	\$6,073	\$ 715
Equity offering costs	—	—	— (1)	—	—	—	—	—	(1)	—
Exercise of stock options	1	—	— 19	—	—	—	—	—	19	—
Treasury stock repurchased	—	—	— —	—	—	20	(381)	—	(381)	—
Tax benefit associated with the exercise of stock options	—	—	— 13	—	—	—	—	—	13	—
Other comprehensive earnings — unrealized loss on investments and other financial instruments	—	—	— —	—	(30)	—	—	—	(30)	—
Other comprehensive earnings — unrealized loss on investments in unconsolidated affiliates	—	—	— —	—	(24)	—	—	—	(24)	—
Other comprehensive earnings — unrealized loss on foreign currency translation	—	—	— —	—	(9)	—	—	—	(9)	—
Other comprehensive earnings — minimum pension liability	—	—	— —	—	(4)	—	—	—	(4)	—

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adjustment												
J. Alexander's Spin-off	—	—	—	—	—	(80)	—	—	—	(13)	(93)	—
Stock-based compensation	—	—	—	—	29	—	—	—	—	(44)	(15)	59
Retirement of treasury shares	—	—	(12)	—	(186)	—	—	(12)	186	—	—	—
Shares withheld for taxes and in treasury	—	—	—	—	—	—	—	—	(1)	—	(1)	—
Dividends declared	—	—	—	—	—	(164)	—	—	—	—	(164)	—
Purchase of additional share in consolidated subsidiaries	—	—	—									