



# US Spinoff Report™

Valuations of Corporate Divestitures

**Parent:** The First American Corp.  
Sector: Insurance & Information Services

**Spinoff Entity:** First American Financial Corp.  
Sector: Insurance - Property / Casualty

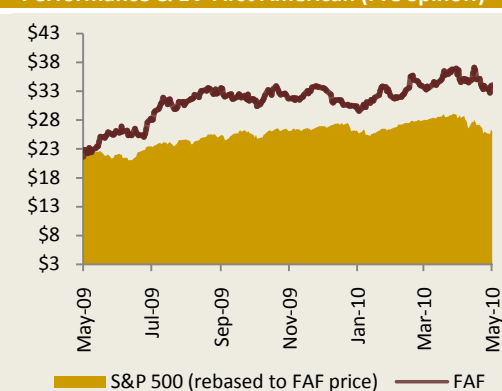
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## Target price & risk-CLGX-WI/ FAF-WI

	CLGX-WI	FAF-WI
Target price	\$24 (+23.8%)	\$21 (+43.2%)
Rating	Buy	Absolute Buy
Share price (last close)	\$19.6	\$14.5
Listing Exchange	NYSE	NYSE
Horizon (months)	12	12
Risk	Low	Low

## Performance & EV-First American (Pre Spinoff)



Return 5d/YTD/1Y (%)	2.1/2.8/49.1
Volatility 30d/90d/200d (%)	33.4/26.9/24.6
High/Low 1Y (\$)	37.4/21.9
Avg d turn 30d/90d (\$ m)	35.6/32.1
<b>Market Cap (\$ m)</b>	<b>3,535</b>
Net IB Debt (\$ m)	(79)
<b>Enterprise value (\$ m)</b>	<b>3,470</b>

## Miscellaneous- First American (Pre Spinoff)

Spinoff announcement date	January 1, 2008
Forthcoming Event Date	June 1, 2010
Majority shareholder	Highfields Capital Management, L.P.
O/S shares m	104
Free float in %	96.5%

## Smart Titles and CoreLogic: Twin Paths to Value Creation

Now two and half years in the making, in our fully researched view, First American Corp. splitting to create two independent, focused companies for financial services and information solutions is the most effective way to focus and grow these leading businesses. CoreLogic (CLGX-WI), freed from the fluctuations of the insurance business, can expand its offerings through organic and inorganic routes. First American Financial (keeping the parent's ticker FAF) will focus on streamlining the insurance business and grow primarily through inorganic means. As both companies will be a part of the same S&P MidCap 400 Index, as the parent was, we do not expect sizeable index selling.

### Dominant market share to create growth opportunities: CLGX-WI

With core competencies in data acquisition, analysis and delivery coupled with leading market shares in user segments with deeply embedded client relationships, CLGX-WI is at a sweet spot to create long-term growth for itself and in turn, its shareholders. CLGX-WI provides information depth and breadth backed by continuously updated data from more than 3.5bn public documents, 500m+ transactions and 70m+ mortgage applications. Launch of new products and complementary & value-accretive acquisitions would enable the company generate long-term sustainable top-line, margin growth. At the current when-issued price, the stock is trading at FY10E EV/EBITDA of 6.5x, at a unjustified discount of 20% to its peer group average of 8.2x. **We assign a Buy rating on CLGX-WI with a target price of \$24 per share, leading to an upside potential of 23.8% to its current 'when-issued' trading price of \$19.6 per share.**

### Pure play on title insurance business: FAF-WI

A pure play on title insurance business with a 27% market share, FAF is well positioned to increase its market share through inorganic growth and additions to the existing product & services portfolio. FAF's exclusive technology platform, TitleSmart, is 100% automated, reducing the overall *app-to-close* time by two or more days, providing a competitive edge. The company has a scalable business model in place to minimize cost and improve profitability and has kept an internal target of 8-10% pre-tax margins by 2012. \$250m worth of stake in CLGX, encashable when required, can provide funds to tap opportunities. We expect FAF-WI to trade at a FY11E PE multiple of 10x, in line with FY11E peer group average of 10.4x. **We recommend an Absolute Buy rating on FAF-WI with a target price of \$21 per share, implying an upside potential of 43.2% to its current 'when-issued' trading price of \$14.5 per share.**

## Key figures and ratios (in \$ m)

Pro Forma (Y/E Dec 31)	CLGX-WI (Post Spinoff)			FAF-WI		
	FY09	FY10E	FY11E	FY09	FY10E	FY11E
Total Revenue	1,991	1,943	2,030	4,035	4,176	4,338
Revenue growth (%)	-9.8%	-2.4%	4.5%	-18.2%	3.5%	3.9%
EBIT	342	315	307	211	253	292
EBIT Margin (%)	17.2%	16.2%	15.1%	5.2%	6.1%	6.7%
EBITDA	463	435	447	293	340	385
EBITDA Margin (%)	23.3%	22.4%	22.0%	7.3%	8.1%	8.9%
Pretax income	342	317	351	189	230	281
Adj. Diluted EPS (£)	NA	NA	NA	1.14	1.44	1.76
Return on Assets (%)	NA	NA	NA	3.5%	4.0%	4.7%
Return on Invested Capital (%)	NA	NA	NA	10.0%	11.3%	12.5%
EV/EBIT	8.3x	9.0x	9.2x	6.4x	5.4x	4.7x
P/E	NA	NA	NA	12.7x	10.0x	8.2x