YUM BRANDS INC
Form 4
June 03, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Creed Greg

(Last) (First) (Middle)

1441 GARDINER LANE

(Street)

LOUISVILLE, KY 40213

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
YUM BRANDS INC [YUM]

3. Date of Earliest Transaction (Month/Day/Year)
06/02/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President Taco Bell

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/02/2008	06/02/2008	M		2,273 (1)	A	$ 12.1625	7,147	D	
Common Stock	06/02/2008	06/02/2008	S		900 (1)	D	$ 38.89	6,247	D	
Common Stock	06/02/2008	06/02/2008	S		73 (1)	D	$ 38.92	6,174	D	
Common Stock	06/02/2008	06/02/2008	S		300 (1)	D	$ 38.97	5,874	D	
Common Stock	06/02/2008	06/02/2008	S		1,000 (1)	D	$ 39.03	4,874	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 12.1625	06/02/2008	06/02/2008	M			2,273 (1)	01/23/2007	01/23/2013	Common Stock	2,273

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Creed Greg 1441 GARDINER LANE LOUISVILLE, KY 40213			President Taco Bell	

Signatures

Greg Creed	06/03/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares exercised and sold pursuant to SEC 10b5-1 plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Net earnings from discontinued operations, net of tax

$
126

$
147

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could vary materially from those forward-looking statements contained herein due to many factors, including, but not limited to: changes in general economic,

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business and political conditions, including changes in the financial markets; continued weakness or adverse changes in the level of real estate activity, which may be caused by, among other things, high or increasing interest rates, a limited supply of mortgage funding or a weak U.S. economy; our potential inability to find suitable acquisition candidates, acquisitions in lines of business that will not necessarily be limited to our traditional areas of focus, or difficulties in integrating acquisitions; our dependence on distributions from our title insurance underwriters as our main source of cash flow; significant competition that our operating subsidiaries face; compliance with extensive government regulation of our operating subsidiaries; the risk that Stewart stockholders may not adopt the Merger Agreement; the risk that the necessary regulatory approvals for the Stewart Merger may not be obtained or may be obtained subject to conditions that are not anticipated; risks that any of the closing conditions to the proposed Stewart Merger may not be satisfied in a timely manner; the risk that our and Stewart's businesses will not be integrated successfully, that such integration may be more difficult, time-consuming or more costly than expected or that the expected benefits of the Stewart Merger will not be realized; and other risks detailed in the “Statement Regarding Forward-Looking Information,” “Risk Factors” and other sections of our Annual Report on Form 10-K (our "Annual Report") for the year ended December 31, 2017 and other filings with the SEC.

The following discussion should be read in conjunction with our Annual Report for the year ended December 31, 2017.

Overview

For a description of our business, including descriptions of segments and recent business developments, see the discussion under Basis of Financial Statements in Note A to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Report, which is incorporated by reference into this Part I, Item 2.

Business Trends and Conditions

Title

Our Title segment revenue is closely related to the level of real estate activity which includes sales, mortgage financing and mortgage refinancing. Declines in the level of real estate activity or the average price of real estate sales will adversely affect our title insurance revenues.

We have found that residential real estate activity is generally dependent on the following factors:

- mortgage interest rates;
- mortgage funding supply;
- housing inventory and home prices; and
- the strength of the United States economy, including employment levels.

As of July 6, 2018, the Mortgage Bankers Association ("MBA") estimated (actual for fiscal year 2017) the size of the U.S. mortgage originations market as shown in the following table for 2017 - 2020 in its "Mortgage Finance Forecast" (in trillions):

	2020	2019	2018	2017
Purchase transactions	$ 1.3	$ 1.2	$ 1.1	$ 1.1
Refinance transactions	0.4	0.4	0.5	0.6
Total U.S. mortgage originations forecast	$ 1.7	$ 1.6	$ 1.6	$ 1.7

In 2017, total originations were reflective of a generally improving residential real estate market driven by increasing home prices and historically low mortgage interest rates. Mortgage interest rates increased slightly in 2017 from 2016, but remained low compared to historical rates, and have continued to rise through the first half of 2018. Refinance transactions decreased in 2017 and through the first half of 2018 from the historically high levels experienced in recent years through 2016. Existing home sales increased through 2017 and began leveling out and decreasing through the first half of 2018. Over the same time period, there has been a consistent decline in total housing inventory and increase in average home prices.

In 2018 and beyond, increasing mortgage interest rates driven by gradual increases in the target federal funds rate are expected to adversely impact mortgage originations. In a rising interest rate environment, refinance transactions are expected to continue to decline. The MBA predicts overall mortgage originations in 2018 through 2020 will remain relatively flat compared to the 2017 period driven by a decrease in refinance transactions, offset by an increase in purchase transactions. Purchase transactions involve the issuance of both a lender’s policy and an owner’s policy, resulting in higher title premiums, whereas refinance transactions only require a lender’s policy, resulting in lower title premiums.

While projected increases in mortgage interest rates present a potential headwind for mortgage originations, other economic indicators used to measure the health of the United States economy, including the unemployment rate and consumer confidence, have improved in recent years. According to the United States Department of Labor's Bureau of Labor, the unemployment rate has dropped from 7.4% in 2013 to 4.0% in June 2018. Additionally, the Conference Board's monthly Consumer Confidence Index has remained at historically high levels through 2018. We believe that improvements in both of these economic indicators, among

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other indicators which support a generally strong United States economy, present potential tailwinds for mortgage originations and support recent home price trends.
We cannot be certain how, if at all, the positive effects of a change in mix of purchase to refinance transactions, increasing home prices, and of a generally strong United States economy and the negative effects of projected short-term decreases in overall originations and increases in interest rates will impact our future results of operations. We continually monitor origination trends and believe that, based on our ability to produce industry leading operating margins through all economic cycles, we are well positioned to adjust our operations for adverse changes in real estate activity.
Because commercial real estate transactions tend to be generally driven by supply and demand for commercial space and occupancy rates in a particular area rather than by interest rate fluctuations, we believe that our commercial real estate title insurance business is less dependent on the industry cycles discussed above than our residential real estate title business. Commercial real estate transaction volume is also often linked to the availability of financing. Over the last couple of years, we have continued to experience strong demand in commercial real estate markets. In 2015 through 2017, the volume and fee-per-file of our commercial transactions were at historical highs. Through the first half of 2018, we have continued to see strong demand for commercial transactions.
Seasonality. Historically, real estate transactions have produced seasonal revenue fluctuations in the real estate industry. The first calendar quarter is typically the weakest quarter in terms of revenue due to the generally low volume of home sales during January and February. The second and third calendar quarters are typically the strongest quarters in terms of revenue, primarily due to a higher volume of residential transactions in the spring and summer months. The fourth quarter is typically also strong due to the desire of commercial entities to complete transactions by year-end. We have noted short-term fluctuations through recent years in resale and refinance transactions as a result of changes in interest rates.
Results of Operations
Consolidated Results of Operations
Net Earnings. The following table presents certain financial data for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Revenues:				
Direct title insurance premiums	$599	$575	1,071	1,040
Agency title insurance premiums	732	726	1,296	1,309
Escrow, title-related and other fees	763	720	1,381	1,291
Interest and investment income	45	33	83	61
Realized gains and losses, net	(16)	5	(15)	1
Total revenues	2,123	2,059	3,816	3,702
Expenses:				
Personnel costs	665	626	1,272	1,195
Agent commissions	561	558	992	1,004
Other operating expenses	506	479	929	868
Depreciation and amortization	45	44	92	87
Provision for title claim losses	60	65	107	117
Interest expense	11	13	22	29
Total expenses	1,848	1,785	3,414	3,300
Earnings from continuing operations before income taxes and equity in earnings of unconsolidated affiliates	275	274	402	402

Income tax expense	22	101	53	170
Equity in earnings of unconsolidated affiliates	1	3	3	4
Net earnings from continuing operations	$254	$176	$352	$236

Revenues.

Total revenues increased by $64 million in the three months ended June 30, 2018 and increased by $114 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017.

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Net earnings from continuing operations increased by $78 million in the three months ended June 30, 2018 and increased by $116 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017. The change in revenue and net earnings from our reportable segments is discussed in further detail at the segment level below.

Expenses.

Our operating expenses consist primarily of Personnel costs; Other operating expenses, which in our title business are incurred as orders are received and processed; and Agent commissions, which are incurred as title agency revenue is recognized. Title insurance premiums, escrow and title-related fees are generally recognized as income at the time the underlying transaction closes or other service is provided. Direct title operations revenue often lags approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment, mix of business between direct and agency operations and the contributions from our various business units have historically impacted margins and net earnings. We have implemented programs and have taken necessary actions to maintain expense levels consistent with revenue streams. However, a short-term lag exists in reducing controllable fixed costs and certain fixed costs are incurred regardless of revenue levels.

Personnel costs include base salaries, commissions, benefits, stock-based compensation and bonuses paid to employees, and are one of our most significant operating expenses.

Agent commissions represent the portion of premiums retained by our third-party agents pursuant to the terms of their respective agency contracts.

Other operating expenses consist primarily of facilities expenses, title plant maintenance, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), appraisal fees and other cost of sales on ServiceLink product offerings and other title-related products, postage and courier services, computer services, professional services, travel expenses, general insurance, and bad debt expense on our trade and notes receivable.

The Provision for title claim losses includes an estimate of anticipated title and title-related claims, and escrow losses.

The change in expenses attributable to our reportable segments is discussed in further detail at the segment level below.

Income tax expense was $22 million and $101 million in the three-month periods ended June 30, 2018 and 2017, respectively, and $53 million and $170 million in the six-month periods ended June 30, 2018 and 2017, respectively. Income tax expense as a percentage of earnings before income taxes was 8.0% and 36.9% for the three-month periods ended June 30, 2018 and 2017, respectively, and 13.2% and 42.3% for the six-month periods ended June 30, 2018 and 2017, respectively. Income tax expense as a percentage of earnings before income taxes fluctuates depending on our estimate of ultimate income tax liability and changes in the characteristics of net earnings, such as the weighting of operating income versus investment income. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Reform Act”). Among other provisions, the Tax Reform Act reduced the Federal statutory corporate income tax rate from 35% to 21% and limited or eliminated certain deductions. The decrease in income tax as a percentage of earnings before income taxes from the three-month period ended June 30, 2017 to the comparable 2018 period was primarily driven by the Tax Reform Act as well as a change in tax estimate regarding the timing of payments for, and tax rate applicable to, our tax liability resulting from the decrease in our statutory premium reserves associated with the redomestication of certain of our title insurance underwriters in 2017. The decrease in the six-month period was also attributable to increased tax expense of $21 million in the 2017 period resulting from a change in judgment of the tax deductibility of legal settlements finalized in the period.

Equity in earnings of unconsolidated affiliates was $1 million and $3 million for the three-month periods ended June 30, 2018 and 2017, respectively, and $3 million and $4 million for the six-month periods ended June 30, 2018 and 2017, respectively. The equity in earnings in 2018 and 2017 are attributable to various individually immaterial unconsolidated affiliates.

Explanation of Responses:

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Title

The following table presents the results from operations of our Title segment:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	(In millions)			
Revenues:				
Direct title insurance premiums	$599	$575	$1,071	$1,040
Agency title insurance premiums	732	726	1,296	1,309
Escrow, title-related and other fees	602	575	1,118	1,071
Interest and investment income	45	33	82	61
Realized gains and losses, net	(16)	8	(15)	6
Total revenues	1,962	1,917	3,552	3,487
Expenses:				
Personnel costs	635	602	1,214	1,150
Agent commissions	561	558	992	1,004
Other operating expenses	367	359	697	694
Depreciation and amortization	38	39	78	77
Provision for title claim losses	60	65	107	117
Total expenses	1,661	1,623	3,088	3,042
Earnings from continuing operations, before income taxes and equity in earnings of unconsolidated affiliates	$301	$294	$464	$445
Orders opened by direct title operations (in thousands)	505	524	983	996
Orders closed by direct title operations (in thousands)	362	370	675	704
Fee per file	$2,579	$2,428	$2,470	$2,295

Total revenues for the Title segment increased by $45 million, or 2%, in the three months ended June 30, 2018 and increased by $65 million, or 2%, in the six months ended June 30, 2018, from the corresponding periods in 2017.

The following table presents the percentages of title insurance premiums generated by our direct and agency operations:

	Three months ended June 30,				Six months ended June 30,			
	2018	% of Total	2017	% of Total	2018	% of Total	2017	% of Total
	(Dollars in millions)							
Title premiums from direct operations	$599	45 %	$575	44 %	$1,071	45 %	$1,040	44 %
Title premiums from agency operations	732	55	726	56	1,296	55	1,309	56
Total title premiums	$1,331	100%	$1,301	100%	$2,367	100%	$2,349	100%

Title premiums increased by 2% in the three months ended June 30, 2018 as compared to the corresponding period in 2017. The increase is comprised of an increase in Title premiums from direct operations of $24 million, or 4%, and an increase in Title premiums from agency operations of $6 million, or 1%, in the three months ended June 30, 2018.
Title premiums increased by 1% in the six months ended June 30, 2018 as compared to the corresponding period in 2017. The increase is comprised of an increase in Title premiums from direct operations of $31 million, or 3%, partially offset by a decrease in Title premiums from agency operations of $13 million, or 1%, in the six months ended June 30, 2018.

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The following table presents the percentages of opened and closed title insurance orders generated by purchase and refinance transactions by our direct operations:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Opened title insurance orders from purchase transactions (1)	71.0 %	65.9 %	68.5 %	64.9 %
Opened title insurance orders from refinance transactions (1)	29.0	34.1	31.5	35.1
	100.0%	100.0%	100.0%	100.0%
Closed title insurance orders from purchase transactions (1)	70.8 %	67.2 %	66.8 %	62.9 %
Closed title insurance orders from refinance transactions (1)	29.2	32.8	33.2	37.1
	100.0%	100.0%	100.0%	100.0%

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(1) Percentages exclude consideration of an immaterial number of non-purchase and non-refinance orders.

Title premiums from direct operations increased in the three and six months ended June 30, 2018 as compared to the corresponding period in 2017. The increase is primarily attributable to an increase in the fee per file driven by a favorable change in the mix of closed orders from purchase and refinance transactions, partially offset by a decrease in closed order volume. We experienced an increase in closed title insurance order volumes from purchase transactions which was more than offset by a decrease in closed title insurance order volumes from refinance transactions in the three and six months ended June 30, 2018 as compared to the corresponding periods in 2017. Total closed order volumes were 362,000 in the three months ended June 30, 2018 compared with 370,000 in the three months ended June 30, 2017 and 675,000 in the six months ended June 30, 2018 compared with 704,000 in the six months ended June 30, 2017. This represented an overall decrease of 2% and 4 %, respectively. Opened title order volumes trended consistently with closed order volumes in both periods.

The average fee per file in our direct operations was $2,579 and $2,470 in the three and six months ended June 30, 2018, respectively, compared to $2,428 and $2,295 in the three and six months ended June 30, 2017, respectively. The increase in average fee per file reflects the favorable change in mix of closed orders from purchase and refinance transactions. The fee per file tends to change as the mix of refinance and purchase transactions changes, because purchase transactions involve the issuance of both a lender’s policy and an owner’s policy, resulting in higher fees, whereas refinance transactions only require a lender’s policy, resulting in lower fees.

Title premiums from agency operations increased $6 million, or 1%, in the three months ended June 30, 2018 and decreased $13 million, or 1%, in the six months ended June 30, 2018 as compared to the corresponding period in 2017.

Escrow, title-related and other fees increased by $27 million, or 5%, in the three months ended June 30, 2018 and increased by $47 million, or 4%, in the six months ended June 30, 2018 from the corresponding periods in 2017. Escrow fees, which are more closely related to our direct operations, increased by $14 million, or 6%, in the three months ended June 30, 2018 and increased by $24 million, or 6%, in the six months ended June 30, 2018 compared to the corresponding periods in 2017. The increase is representative of the favorable increase in closed title insurance orders from purchase transactions previously discussed. Other fees in the Title segment, excluding escrow fees, increased $13 million, or 4%, in the three months ended June 30, 2018 and increased $23 million, or 3%, in the six months ended June 30, 2018, from the corresponding periods in 2017. This increase is primarily attributable to revenue growth associated with our home warranty businesses, increased subservicing revenue at ServiceLink, and acquisitions, partially offset by decreases in revenue at FNF Canada and at certain other ServiceLink subsidiaries.

Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income increased by $12 million in the three months ended June 30, 2018 and increased $21 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017. The increase was primarily driven by increased interest rates earned in our tax-deferred property exchange business, interest earned on short term investments, and dividends from other long term investments, partially offset by a decrease in our fixed maturity holdings period over period.

Realized gains and losses, net decreased $24 million in the three months ended June 30, 2018 and decreased $21 million in the six months ended June 30, 2018 from the comparable periods in 2017. The decrease was primarily attributable to the inclusion of non-cash valuation losses on our equity and preferred security holdings in the 2018 periods associated with the adoption of ASU 2016-01 on January 1, 2018.

Personnel costs include base salaries, commissions, benefits, stock-based compensation and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs increased $33 million, or 5% in the three months ended June 30,

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2018 and increased $64 million, or 6%, in the six months ended June 30, 2018, compared to the corresponding periods in 2017. The increase in the 2018 period is primarily due to higher commissions and bonuses associated with increased headcount to process increased closed order counts from purchase transactions and increased expense associated with acquisitions. Personnel costs as a percentage of total revenues from direct title premiums and escrow, title-related and other fees were 53% and 52% for the three-month periods ended June 30, 2018 and 2017, respectively, and 55% and 54% for the six-month periods ended June 30, 2018 and 2017, respectively. The increase in personnel cost as a percentage of total revenues from direct title premiums and escrow, title-related and other fees was primarily driven by the change in mix of title premiums from purchase and refinance transactions and to increased cost of employee group insurance claims. Average employee count in the Title segment was 23,344 and 23,146 in the three-month periods ended June 30, 2018 and 2017, respectively, and 23,177and 22,858 in the six-month periods ended June 30, 2018 and 2017, respectively.

Other operating expenses increased by $8 million, or 2% in the three months ended June 30, 2018 and increased by $3 million, or less than 1% in the six months ended June 30, 2018, from the corresponding periods in 2017. Other operating expenses as a percentage of total revenue excluding agency premiums, interest and investment income, and realized gains and losses decreased 1% in the three and six months ended June 30, 2018 from the comparable periods in 2017.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums that we retain vary according to regional differences in real estate closing practices and state regulations.

The following table illustrates the relationship of agent premiums and agent commissions, which have remained relatively consistent since 2017:

	Three months ended June 30,				Six months ended June 30,			
	2018	%	2017	%	2018	%	2017	%
	(Dollars in millions)							
Agent premiums	732	100%	726	100%	$1,296	100%	$1,309	100%
Agent commissions	561	77 %	558	77 %	992	77 %	1,004	77 %
Net retained agent premiums	$171	23 %	$168	23 %	$304	23 %	$305	23 %

Depreciation and amortization decreased by $1 million in the three months ended June 30, 2018 and increased by $1 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017.

The claim loss provision for title insurance was $60 million and $65 million for the three-month periods ended June 30, 2018 and 2017, respectively, and reflects an average provision rate of 4.5% and 5.0% of title premiums, respectively. The claim loss provision for title insurance was $107 million and $117 million for the six-month periods ended June 30, 2018 and 2017, respectively, and reflects an average provision rate of 4.5% and 5.0% of title premiums, respectively. We continually monitor and evaluate our loss provision level, actual claims paid, and the loss reserve position each quarter. This loss provision rate is set to provide for losses on current year policies, but due to development of prior years and our long claim duration, it periodically includes amounts of estimated adverse or positive development on prior years' policies.

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Corporate and Other

The Corporate and Other segment consists of the operations of the parent holding company, our various real estate brokerage businesses, and our real estate technology subsidiaries. This segment also includes certain other unallocated corporate overhead expenses and eliminations of revenues and expenses between it and our Title segment.

The following table presents the results from operations of our Corporate and Other segment:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Revenues:				
Escrow, title-related and other fees	$161	$145	$263	$220
Interest and investment income	—	—	1	—
Realized gains and losses, net	—	(3)	—	(5)
Total revenues	161	142	264	215
Expenses:				
Personnel costs	30	24	58	45
Other operating expenses	139	120	232	174
Depreciation and amortization	7	5	14	10
Interest expense	11	13	22	29
Total expenses	187	162	326	258
Loss from continuing operations, before income taxes and equity in earnings of unconsolidated affiliates	$(26)	$(20)	$(62)	$(43)

The revenue in the Corporate and Other segment for all periods represents revenue generated by our real estate brokerage and technology subsidiaries offset by the elimination of certain revenues between segments. See Note J. Revenue Recognition included in Item 1 of Part 1 of this Quarterly Report for further discussion and disaggregation of our revenue.

Total revenues in the Corporate and Other segment increased $19 million, or 13%, in the three-month period ended June 30, 2018 and increased $49 million, or 23%, in the six-month period ended June 30, 2018, from the comparative periods in 2017. The increase is primarily attributable to growth and acquisitions in our real estate brokerage businesses resulting in increased revenue of $3 million and $22 million in the three and six month periods ended June 30, 2018 respectively, and in our real estate technology businesses resulting in increased revenue of $12 million and $21 million in the three and six month periods ended June 30, 2018 respectively, from the comparable 2017 periods. The three month period ended June 30, 2017 also includes $15 million related to recording one additional month of results of operations for our real estate brokerages, which were previously reported on a one-month lag.

Personnel costs in the Corporate and Other segment increased $6 million, or 25%, in the three-month period ended June 30, 2018 and increased $13 million, or 29%, in the six-month period ended June 30, 2018, from the corresponding periods in 2017. The increase is primarily attributable to increased costs associated with the increase in revenue.

Other operating expenses in the Corporate and Other segment increased $19 million, or 16%, in the three-month period ended June 30, 2018 and increased $58 million, or 33%, in the six-month period ended June 30, 2018, from the corresponding periods in 2017. The increase is primarily attributable to increased costs associated with the increase in revenue and to the inclusion of $12 million and $22 million of expense eliminations (reduction to expense) in the three and six months ended June 30, 2017, respectively, related to eliminations of transactions with Black Knight.

Discontinued Operations

As a result of the FNFV Split-Off and BK Distribution, the results of operations of FNFV and Black Knight are included in discontinued operations. Earnings from discontinued operations, net of tax, were $126 million and $147 million in the three and six months ended June 30, 2017. Refer to Note K. Discontinued Operations to our Condensed

Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report for further information, including a breakout of the results of operations of both FNFV and Black Knight.

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Liquidity and Capital Resources

Cash Requirements. Our current cash requirements include personnel costs, operating expenses, claim payments, taxes, payments of interest and principal on our debt, capital expenditures, business acquisitions, stock repurchases and dividends on our common stock. We paid dividends of $0.30 per share in the second quarter of 2018, or approximately $82 million to our FNF common shareholders. On July 17, 2018, our Board of Directors declared cash dividends of $0.30 per share, payable on September 28, 2018, to FNF common shareholders of record as of September 14, 2018. There are no restrictions on our retained earnings regarding our ability to pay dividends to our shareholders, although there are limits on the ability of certain subsidiaries to pay dividends to us, as described below. The declaration of any future dividends is at the discretion of our Board of Directors. Additional uses of cash flow are expected to include acquisitions, stock repurchases and debt repayments.

We continually assess our capital allocation strategy, including decisions relating to the amount of our dividend, reducing debt, repurchasing our stock, making acquisitions and/or conserving cash. We believe that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends from subsidiaries, cash generated by investment securities, potential sales of non-strategic assets and borrowings on existing credit facilities. Our short-term and long-term liquidity requirements are monitored regularly to ensure that we can meet our cash requirements. We forecast the needs of all of our subsidiaries and periodically review their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow assumptions underlying such forecasts.

Our insurance subsidiaries generate cash from premiums earned and their respective investment portfolios, and these funds are adequate to satisfy the payments of claims and other liabilities. Due to the magnitude of our investment portfolio in relation to our title claim loss reserves, we do not specifically match durations of our investments to the cash outflows required to pay claims, but do manage outflows on a shorter time frame.

Our two significant sources of internally generated funds are dividends and other payments from our subsidiaries. As a holding company, we receive cash from our subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses we incur. The reimbursements are paid within the guidelines of management agreements among us and our subsidiaries. Our insurance subsidiaries are restricted by state regulation in their ability to pay dividends and make distributions. Each applicable state of domicile regulates the extent to which our title underwriters can pay dividends or make other distributions. As of December 31, 2017, $1,700 million of our net assets were restricted from dividend payments without prior approval from the relevant departments of insurance. We anticipate that our title insurance subsidiaries will pay or make dividends in the remainder of 2018 of approximately $179 million. Our underwritten title companies and non-insurance subsidiaries are not regulated to the same extent as our insurance subsidiaries.

The maximum dividend permitted by law is not necessarily indicative of an insurer’s actual ability to pay dividends, which may be constrained by business and regulatory considerations, such as the impact of dividends on surplus, which could affect an insurer’s ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends. Further, depending on business and regulatory conditions, we may in the future need to retain cash in our underwriters or even contribute cash to one or more of them in order to maintain their ratings or their statutory capital position. Such a requirement could be the result of investment losses, reserve charges, adverse operating conditions in the current economic environment or changes in statutory accounting requirements by regulators.

Cash flow from our operations will be used for general corporate purposes including to reinvest in operations, repay debt, pay dividends, repurchase stock, pursue other strategic initiatives and/or conserve cash.

Operating Cash Flow. Our cash flows provided by operations for the six months ended June 30, 2018 and 2017 totaled $350 million and $291 million, respectively. The increase of $59 million is primarily attributable to decreased payments for income taxes in the current period of $90 million and the payment of legal settlements of $65 million in the 2017 period, partially offset by $25 million of cash flow from operating activities attributable to discontinued operations in the 2017 period and decreased net earnings of $31 million. The remaining variance is attributable to timing of receipt and payment of receivables and payables.

Investing Cash Flows. Our cash provided by investing activities for the six months ended June 30, 2018 and 2017 were $54 million and $399 million, respectively. The 2017 period included $67 million of cash provided by investing activities of discontinued operations. The decrease in cash provided by investing activities of $345 million in the 2018 period from the 2017 period is primarily attributable to a $154 million decrease in net inflows from the sales of, and distributions from, equity and fixed income investments, net of purchases and additional investments in unconsolidated investees and FNFV's sale of its subsidiary for $326 million in the 2017 period, partially offset by the proceeds from the sale of property and equipment of $21 million, lower cash paid for acquisitions of $77 million and decreased capital expenditures of $49 million in the 2018 period compared to the corresponding period in 2017.
Capital Expenditures. Total capital expenditures for property and equipment and capitalized software were $39 million and $88 million for the six-month periods ended June 30, 2018 and 2017, respectively. The decrease is primarily attributable to capital expenditures at Black Knight and FNFV in the 2017 period.

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Financing Cash Flows. Our cash flows used in financing activities for the six months ended June 30, 2018 and 2017 were $194 million and $572 million, respectively. The decrease in cash used in financing activities of $378 million from the 2018 period to the 2017 period is primarily attributable to decreased net debt service payments, net of borrowings, of $318 million, decreased equity repurchases of both FNF and Black Knight stock of $63 million, and an increase in the change in secured trust deposits of $35 million, partially offset by an increase in dividends paid of $28 million.

Financing Arrangements. For a description of our financing arrangements see Note E. Notes Payable included in Item 1 of Part 1 of this Quarterly Report, which is incorporated by reference into this Item 2 of Part I.

During the six months ended June 30, 2018, we repurchased Notes, and Notes were converted by holders, with aggregate principal of $29 million for $86 million. Upon maturity of the Notes in August 2018, we expect to settle in cash and pay approximately $118 million based on stock prices and conversion rates as of June 30, 2018.

Contractual Obligations. There have been no significant changes to our long-term contractual obligations since our Annual Report for the year ended December 31, 2017.

Capital Stock Transactions. On July 20, 2015, our Board of Directors approved a three-year stock repurchase program (the "2015 Repurchase Program") under which we could purchase up to 25 million shares of our FNF common stock through July 31, 2018. On July 17, 2018, our Board of Directors terminated the 2015 Repurchase Program effective as of July 31, 2018 and approved a new three-year stock repurchase program effective August 1, 2018 (the "2018 Repurchase Program") under which we can purchase up to 25 million shares of our FNF common stock through July 31, 2021. We may make repurchases from time to time in the open market, in block purchases or in privately negotiated transactions, depending on market conditions and other factors. Since the original commencement of the 2015 Repurchase Program through market close on July 30, 2018, we repurchased a total of 10,589,000 FNF common shares for $372 million, or an average of $35.10 per share. We have not made any repurchases under these programs in the three or six months ended June 30, 2018 or in the subsequent period ended August 6, 2018.

Equity and Preferred Security Investments. Our equity and preferred security investments may be subject to significant volatility. Should the fair value of these investments fall below our cost basis and/or the financial condition or prospects of these companies deteriorate, we may determine in a future period that this decline in fair value is other-than-temporary, requiring that an impairment loss be recognized in the period such a determination is made.

Off-Balance Sheet Arrangements. There have been no significant changes to our off-balance sheet arrangements since our Annual Report for the year ended December 31, 2017.

Critical Accounting Policies

There have been no material changes to our critical accounting policies described in our Annual Report for our fiscal year ended December 31, 2017.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in the market risks described in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is: (a) recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms; and (b) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II: OTHER INFORMATION

Item 1. Legal Proceedings

See discussion of legal proceedings in Note F. Commitment and Contingencies to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report, which is incorporated by reference into this Item 1 of Part II.

Item 1A. Risk Factors

In addition to the significant risks and uncertainties described in our Annual Report, we identified the following additional risk as a result of the pending Stewart Merger. See "Recent Developments" in Note A. Basis of Financial Statements to our Condensed Consolidated Financial Statements included in Item 1 of Part 1 of this report for further discussion of the Stewart Merger.

Our pending acquisition of Stewart may expose us to certain risks.

On March 19, 2018, we signed a merger agreement (the "Merger Agreement") to acquire Stewart Information Services Corporation ("Stewart") (NYSE: STC) (the "Stewart Merger"). The closing of the Stewart Merger is subject to certain closing conditions, including Stewart stockholder approval, federal and state regulatory approvals and the satisfaction of other customary closing conditions. Closing of the Stewart Merger is expected in the first or second quarter of 2019. If the Stewart Merger is not completed for failure to obtain the required regulatory approvals, we are required to pay a reverse break-up fee of $50 million to Stewart. If the Stewart Merger is completed, we may face challenges in integrating Stewart. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures, and achieving cost reductions. There can be no assurance that we will be able to fully integrate all aspects of the acquired business successfully, and the process of integrating this acquisition may disrupt our business and divert our resources.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

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Item 6. Exhibits

(a) Exhibits:

2.1	Agreement and Plan of Merger, dated as of March 18, 2018, by and among Stewart Information Services Corporation, Fidelity National Financial, Inc., A Holdco Corp., and S Holdco LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on March 19, 2018)
3.1	Fifth Amended and Restated Certificate of Incorporation of Fidelity National Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Registrants Current Report on Form 8-K filed on June 13, 2018)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification by Chief Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
101	The following materials from Fidelity National Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter and six-months ended June 30, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Statements of Comprehensive Earnings, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		FIDELITY NATIONAL FINANCIAL, INC.
Date:	August 6, 2018	(registrant)
		By: /s/ Anthony J. Park
		Anthony J. Park
		Chief Financial Officer
		(Principal Financial and Accounting Officer)