

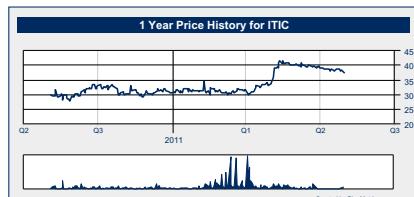


Company Update
Estimates Change
Price Target Change

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Market Price:	\$37.70
Target Price:	\$39.00
Proj. Total Return:	4.2%
52 Wk. Range	\$43.67-\$26.31
Yield:	0.74%
Shr.O/S-Diluted (mm):	2.2
Insider Ownership:	27.9%
Market Cap:	\$82.9mm
Book Value/Share:	\$47.50
Price/Book:	0.79
Debt/Cap:	0.0%
% EPS Title:	NA
BV ec. AOCI:	\$44.36
Title PT Margin:	8.6
Title L/R:	5.7
Title Op. Exp Ratio:	NA
Title Fee/File:	NA



Company Description:

Based in Chapel Hill, NC, Investors Title is a regional title insurance, escrow, and real estate services provider.

Industry Opinion:

We expect declining volumes in the overall mortgage origination market to weigh on business in the title and real estate services markets, with commercial business and a higher mix of purchase market transactions partially offsetting the reduced transaction volume.

Title Insurers

August 3, 2011

Investors Title Company
(ITIC, \$37.70, Market Perform, Target: \$39.00)

Solid Quarter on Strong Agent Business; Rating Remains at Market Perform

Event--

ROCK: [\$0.74, \$0.74, \$0.40, \$0.40] Investors Title (ITIC) reported 2Q11 earnings of \$0.74, well above our \$0.40 estimate on much higher agent business. Following these results we are raising our 2011 operating EPS estimate to \$2.24 from \$1.62 and 2012 to \$2.00 from \$1.65. Our price target increases to \$39 from \$36 and our rating remains at Market Perform.

	R \$0.74 eported	O \$0.74 perating	C \$0.40 onsensus	K \$0.40 BW				
	Earnings Per Share (\$)			P/E (x)	%Chg.	L/Term		
Year End Dec	2010A	2011E	2012E	11E	12E	12/11	Grth.	Rate(%)
KBW (Curr.)	2.78	2.24	2.00	16.8	18.9	(10.71)	4.0	
KBW (Prev.)	—	1.62	1.65	23.3	22.8	1.85	4.0	
FC (Cons.)	—	1.62	1.65	23.3	22.8	1.85	NA	

	2010	2011	2012	Quarterly Earnings Per Share (\$)					
				Q1	Q2	Q3	Q4	YR	
Revenue (Net)	71.3	82.1	79.6	2010A	0.01	1.11	0.63	1.04	2.78
Margin (Net)	12.10	7.80	7.20	2011E	0.46a	0.74a	0.70	0.34	2.24
Book Value	45.44	48.41	50.12	2012E	0.24	0.70	0.74	0.32	2.00
ROE (%)	6.7	5.1	4.3						

Quarter Review - Title premiums were \$21.5 million, up 57.3% from last year and well ahead of our estimate of \$16.3 million. Direct revenues of \$4.0 million were down 10.0%, and agency revenues of \$17.5 million were up 89.5%. Investment income was \$878,818, down 4.1% and below our estimate of \$935,000, and realized gains were \$147,075. Overall expenses were \$21.7 million versus our estimate of \$17.3 million, as the much higher premium number drove the increase in expenses. The loss ratio was 5.7%, once again below our estimate (8.0%). Personnel expenses were \$4.6 million and represented 116.7% of direct revenues while other operations represented 63.3% of direct revenues.

Investment Opinion – Once again the company beat our estimate on much better than expected agent premiums. While the direct business was down an appropriate 10% year-over-year, ITIC’s agent business was up almost 90% in a very challenging environment. The press release does comment on increased business in Texas, which also has higher premium rates. In addition to the top line outperformance, expense ratios were better than expected in every case except for agent retention, and this could be a result of geographic mix related to the added Texas business. With respect to the loss ratio, favorable prior book year development appears to have combined with a decreased percentage of higher provision North Carolina business. In the end, a good quarter for ITIC drives our price target up but we remain neutral given limited potential upside to our price target.



Risk

Risks to our price target include the following:

- The slowdown in real estate volumes materially exceeds expectations.
 - Management is unable to control expenses as well as anticipated through the interest rate cycle change.
-

Earnings Estimates/Price Target - We are raising our 2011 operating EPS estimate to \$2.24 from \$1.62 on the beat this quarter as well as increased agent premium business for the remainder of the year. Our 2012 EPS estimates moves to \$2.00 from \$1.65, also on increased agent-related business. Our price target, which reflects a 0.8x multiple on our projected 12-month forward book value, moves to \$39 from \$36 on the increased earnings and roll-forward of the valuation horizon.

** Please refer to a PDF version of this report for a full earnings delta chart and model.*



Investors Title (ITIC)
Source: KBW estimates and company financials.
Effective Date: 8/2/2011
\$ thousands

Income Statement

Revenues:

	1Q11	2Q11	E 3Q11	E 4Q11	E 2011	E 1Q12	E 2Q12	E 3Q12	E 4Q12	E 2012
Direct	3,696	3,977	3,937	3,544	15,155	3,473	3,994	3,994	3,594	15,055
Agency	14,169	17,474	15,750	10,631	58,024	12,313	15,975	15,975	10,783	55,046
Net premiums written	17,866	21,451	19,687	14,175	73,179	15,786	19,969	19,969	14,378	70,101
Investment income	899	879	874	885	3,538	954	958	969	981	3,861
Investment gains	(26)	147	0	0	121	0	0	0	0	0
Exchange services income	0	0	0	0	0	0	0	0	0	0
Other	1,283	1,242	1,575	1,134	5,234	1,263	1,598	1,598	1,150	5,608
Total Revenues	20,022	23,719	22,137	16,194	82,072	18,002	22,524	22,535	16,509	79,570

Expenses:

Agent commissions	10,880	13,294	11,970	8,133	44,276	9,604	12,141	12,141	8,303	42,189
Title losses	722	1,230	1,575	1,134	4,661	1,263	1,598	1,598	1,150	5,608
Employee costs	4,692	4,640	4,528	4,075	17,935	4,515	4,673	4,633	4,241	18,062
Office operations	964	952	945	833	3,694	868	959	939	827	3,592
Business development	388	372	335	354	1,449	347	320	320	359	1,346
Other taxes	214	118	118	106	557	139	140	120	108	506
Premium and retaliatory taxes	405	503	276	248	1,432	243	280	280	252	1,054
Professional fees	309	412	256	230	1,206	243	280	260	234	1,016
Other	103	160	118	106	487	104	120	120	108	452
Nonrecurring charge	0	0	0	0	0	0	0	0	0	0
Total Expenses	18,676	21,680	20,120	15,220	75,697	17,326	20,508	20,408	15,582	73,824
Pre-tax earnings	1,346	2,039	2,016	974	6,375	676	2,016	2,127	927	5,746
<i>Pre-tax margin</i>	<i>6.7%</i>	<i>8.6%</i>	<i>9.1%</i>	<i>6.0%</i>	<i>7.8%</i>	<i>3.8%</i>	<i>8.9%</i>	<i>9.4%</i>	<i>5.6%</i>	<i>7.2%</i>
Taxes	327	444	504	243	1,518	169	504	532	232	1,436
<i>Tax rate</i>	<i>24.3%</i>	<i>21.8%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>23.8%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	1,019	1,595	1,512	730	4,856	507	1,512	1,595	695	4,309
<i>Overall Margin</i>	<i>5.1%</i>	<i>6.7%</i>	<i>6.8%</i>	<i>4.5%</i>	<i>5.9%</i>	<i>2.8%</i>	<i>6.7%</i>	<i>7.1%</i>	<i>4.2%</i>	<i>5.4%</i>

Per share information:

Operating Income per share	\$0.46	\$0.74	\$0.70	\$0.34	\$2.24	\$0.24	\$0.70	\$0.74	\$0.32	\$2.00
<i>-% change</i>	<i>5897.9%</i>	<i>-33.1%</i>	<i>10.7%</i>	<i>-67.3%</i>	<i>-19.7%</i>	<i>-48.3%</i>	<i>-5.2%</i>	<i>5.5%</i>	<i>-4.8%</i>	<i>-10.6%</i>
Weighted average diluted shares	2,240	2,155	2,155	2,155	2,287	2,155	2,155	2,155	2,155	2,155
Book Value per share	\$45.27	\$47.50	\$48.14	\$48.41	\$48.41	\$48.57	\$49.20	\$49.87	\$50.12	\$50.12
Book value ex. AOCI	\$42.73	\$44.36	\$44.99	\$45.26	\$45.26	\$45.43	\$46.06	\$46.73	\$46.98	\$46.98



	R: \$0.74		O: \$0.74		C: \$0.40		K: \$0.40	
Investors Title 2Q11	This Quarter	KBW	EPS. Diff.	Prior Quarter	Prior Year	Growth Rates		
						Seq.	Y/Y	KBW Y/Y Est.
ITIC Operating EPS	\$0.74	\$0.40	\$0.34	\$0.46	\$1.11	62.6%	-33.2%	-64.0%
Revenues								
Direct title premiums	3,977	4,066	(\$0.03)	3,696	4,420	7.6%	-10.0%	-8.0%
Agency title premiums	17,474	12,198	\$1.91	14,169	9,219	23.3%	89.5%	32.3%
Total title premiums	21,451	16,264	\$1.88	17,866	13,639	20.1%	57.3%	19.2%
Investment income	879	935	(\$0.02)	899	916	-2.3%	-4.1%	2.1%
Investment gains/(losses)	147	0	\$0.05	-26	326	-662.2%	-54.9%	-100.0%
Other Operating	1,242	1,301	(\$0.02)	1,283	1,338	-3.2%	-7.2%	-2.8%
Total revenues	23,719	18,500	\$1.89	20,022	16,219	18.5%	46.2%	14.1%
Overall expenses								
Agent commissions	13,294	9,026	(\$1.55)	10,880	6,476	22.2%	105.3%	39.4%
Title Losses	1,230	1,301	\$0.03	722	112	70.4%	998.2%	1061.6%
Salary & employee benefits	4,640	4,879	\$0.09	4,692	4,346	-1.1%	6.8%	12.3%
Office operations	952	935	(\$0.01)	964	979	-1.2%	-2.7%	-4.5%
Business development	372	346	(\$0.01)	388	352	-3.9%	5.7%	-1.7%
Other taxes	118	142	\$0.01	214	147	-44.8%	-19.6%	-3.4%
Premium and retailatory taxes	503	285	(\$0.08)	405	282	24.0%	78.4%	1.1%
Professional fees	412	285	(\$0.05)	309	339	33.4%	21.4%	-15.9%
Other	160	122	(\$0.01)	103	182	54.9%	-12.3%	-33.0%
Non-recurring	0	0	\$0.00	0	0			
Title expenses	21,680	17,321	(\$1.58)	18,676	13,215	16.1%	64.1%	31.1%
Income								
Total pre-tax income	2,039	1,179	\$0.31	1,346	3,004	51.4%	-32.1%	-60.8%
Income tax	444	286		327	465			
Operating tax rate	21.8%	24.3%	\$0.02	24.3%	15.5%			
Overall tax rate	21.8%	24.3%		24.3%	15.5%			
Net income	1,595	893		1,019	2,539	56.5%	-37.2%	-64.8%
One-time benefit/(expense) (after-tax)	0	0	\$0.00	0	0			
Operating income	1,595	893	\$0.33	1,019	2,539	56.5%	-37.2%	-64.8%
Title operating ratios								
Overall company pre-tax margin (inc. inv & other)	8.6%	6.4%		6.7%	18.5%			
Agency as % of title premium	81.5%	75.0%		79.3%	67.6%			
Direct as % of title premium	18.5%	25.0%		20.7%	32.4%			
Personnel expenses as % of direct	116.7%	120.0%		126.9%	98.3%			
Operating expenses as % of direct	63.3%	52.0%		64.5%	51.6%			
Agent retention	76.1%	74.0%		76.8%	70.2%			
Loss ratio	5.7%	8.0%		4.0%	0.8%			
Expense ratio	95.3%	98.5%		100.5%	96.1%			
Other								
Book value (est.)	\$47.50	\$45.60		\$45.27	\$43.32	4.9%	9.7%	5.3%
Book value ex. AOCI (est.)	\$44.36	\$43.06		\$42.73	\$41.33	3.8%	7.3%	4.2%
Diluted shares outstanding - thousands	2,155	2,240	\$0.00	2,240	2,293			

Source: KBW calculations and company press release
\$ thousands, except per share calculations



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Investors Title Company (ITIC)

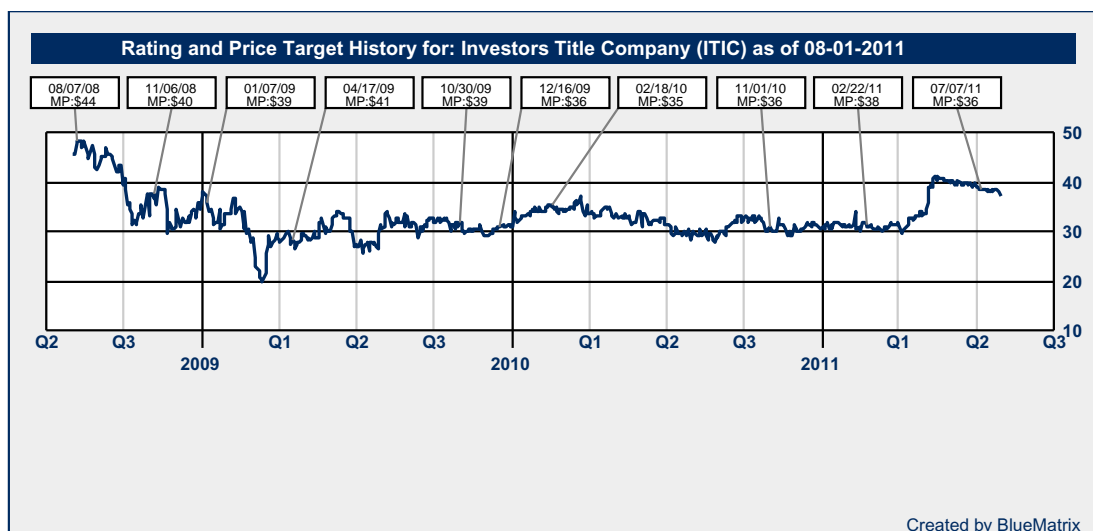
Target Price: \$39.00

Risk Factors:

Risks to our price target include the following:

- The slowdown in real estate volumes materially exceeds expectations.
- Management is unable to control expenses as well as anticipated through the interest rate cycle change.

RATING AND PRICE TARGET HISTORY



Rating KEY: OP – Outperform MP – MarketPerform U – Underperform RS – Restricted S – Suspended

Note: The boxes on the Rating and Price Target History Chart above indicate the date of Report/Note, the rating and price target. Each box represents a date on which an analyst made a change to a rating or price target.

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KBW

Rating	Count	Percent	*IB Serv./Past 12 Mos.	
			Count	Percent
Outperform [BUY]	243	34.86	56	23.05
Market Perform [HOLD]	387	55.52	76	19.64
Underperform [SELL]	53	7.60	5	9.43
Restricted [RES]	0	0.00	0	0.00
Suspended [SP]	14	2.01	3	21.43

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North American Stocks are rated based on an absolute rate of return (percentage price change plus dividend yield). Outperform represents a total rate of return of 15% or greater. Market Perform represents a total rate of return in a range between -5% and +15%. Underperform represents a total rate of return at or below -5%.

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2010 Model Portfolio Primer and/or contact your KBWI representative for more information.

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