

WESTWOOD HOLDINGS GROUP INC
Form 10-Q
October 24, 2018

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, 2018
OR
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-31234

WESTWOOD HOLDINGS GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 75-2969997
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

200 CRESCENT COURT, SUITE 1200 75201
DALLAS, TEXAS (Address of principal executive office) (Zip Code)
(214) 756-6900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)
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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any

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new or revised accounting standards provided
pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Shares of common stock, par value \$0.01 per share, outstanding as of October 19, 2018: 9,018,436.

WESTWOOD HOLDINGS GROUP, INC.
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WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)
(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,086	\$54,249
Accounts receivable	19,832	21,660
Investments, at fair value	71,003	51,324
Prepaid income taxes	589	4,269
Other current assets	2,308	6,612
Total current assets	141,818	138,114
Investments	5,425	—
Goodwill	19,804	27,144
Deferred income taxes	5,081	3,407
Intangible assets, net	16,379	19,804
Property and equipment, net of accumulated depreciation of \$6,287 and \$5,673	4,120	4,190
Total assets	\$ 192,627	\$192,659
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,521	\$3,501
Dividends payable	7,295	7,357
Compensation and benefits payable	12,726	19,075
Income taxes payable	2,198	1,598
Total current liabilities	24,740	31,531
Accrued dividends	1,349	1,717
Noncurrent income taxes payable	—	1,017
Deferred rent	1,866	1,998
Total liabilities	27,955	36,263
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 10,196,635 and outstanding 9,018,436 shares at September 30, 2018; issued 9,980,827 and outstanding 8,899,587 shares at December 31, 2017	102	100
Additional paid-in capital	191,062	179,241
Treasury stock, at cost - 1,178,199 shares at September 30, 2018; 1,081,240 shares at December 31, 2017	(55,215) (49,788)
Accumulated other comprehensive loss	(2,826) (1,764)
Retained earnings	31,549	28,607
Total stockholders' equity	164,672	156,396
Total liabilities and stockholders' equity	\$ 192,627	\$192,659

See Notes to Condensed Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data and share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES:				
Advisory fees:				
Asset-based	\$22,023	\$ 25,334	\$69,979	\$ 73,619
Performance-based	—	—	2,984	1,417
Trust fees	7,191	7,858	22,265	23,570
Other, net	640	300	953	1,265
Total revenues	29,854	33,492	96,181	99,871
EXPENSES:				
Employee compensation and benefits	14,444	15,601	46,857	48,875
Sales and marketing	549	457	1,401	1,447
Westwood mutual funds	979	977	2,966	2,749
Information technology	2,332	1,855	6,753	5,494
Professional services	1,372	1,681	3,677	4,495
Legal settlement	—	4,009	—	4,009
General and administrative	3,027	3,160	6,477	8,697
Total expenses	22,703	27,740	68,131	75,766
Net operating income	7,151	5,752	28,050	24,105
Gain on sale of operations	—	—	524	—
Income before income taxes	7,151	5,752	28,574	24,105
Provision for income taxes	1,783	1,620	7,236	7,013
Net income	\$5,368	\$ 4,132	\$21,338	\$ 17,092
Other comprehensive income (loss):				
Foreign currency translation adjustments	616	1,297	(1,062)	2,438
Total comprehensive income	\$5,984	\$ 5,429	\$20,276	\$ 19,530
Earnings per share:				
Basic	\$0.64	\$ 0.51	\$2.55	\$ 2.10
Diluted	\$0.62	\$ 0.49	\$2.49	\$ 2.05
Weighted average shares outstanding:				
Basic	8,402,697	8,171,809	8,359,088	8,136,350
Diluted	8,598,230	8,420,749	8,561,918	8,350,926
Cash dividends declared per share	\$0.68	\$ 0.62	\$2.04	\$ 1.86

See Notes to Condensed Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2018

(In thousands, except share amounts)

(Unaudited)

	Common Stock, Par Shares	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
BALANCE, December 31, 2017	8,899,587	\$ 100	\$179,241	\$(49,788)	\$ (1,764)	\$28,607	\$156,396
Net income	—	—	—	—	—	21,338	21,338
Other comprehensive loss	—	—	—	—	(1,062)	—	(1,062)
Issuance of restricted stock, net of forfeitures	215,808	2	(2)	—	—	—	—
Dividends declared	—	—	—	—	—	(18,396)	(18,396)
Stock based compensation expense	—	—	11,658	—	—	—	11,658
Reclassification of compensation liability to be paid in shares	—	—	165	—	—	—	165