

WESTWOOD HOLDINGS GROUP INC

Form 10-Q

April 21, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2010.

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)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-2969997
(IRS Employer
Identification No.)

200 CRESCENT COURT, SUITE 1200

DALLAS, TEXAS

75201

(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 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

The number of shares of the issuer's common stock, par value \$0.01 per share, outstanding as of April 19, 2010: 7,294,843.

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WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****As of March 31, 2010 and December 31, 2009****(in thousands, except par value and share amounts)**

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,171	\$ 2,879
Accounts receivable	6,262	6,406
Investments, at market value	39,430	42,246
Deferred income taxes	1,638	2,187
Other current assets	883	625
Total current assets	51,384	54,343
Goodwill	3,915	3,915
Intangible assets, net	1,024	1,050
Property and equipment, net of accumulated depreciation of \$1,393 and \$1,315	504	578
Total assets	\$ 56,827	\$ 59,886
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,090	\$ 995
Dividends payable	2,411	2,359
Compensation and benefits payable	2,719	6,273
Income taxes payable	129	823
Deferred acquisition liability	924	900
Other current liabilities	12	11
Total current liabilities	7,285	11,361
Deferred acquisition liability	818	796
Deferred income taxes	525	238
Deferred rent	228	273
Total long-term liabilities	1,571	1,307
Total liabilities	8,856	12,668
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 7,516,762 and outstanding 7,306,593 shares at March 31, 2010; issued 7,308,812 and outstanding 7,151,472 shares at December 31,	75	73

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2009			
Additional paid-in capital		50,414	47,741
Treasury stock, at cost 210,169 shares at March 31, 2010; 157,340 shares at December 31, 2009		(8,081)	(6,026)
Accumulated other comprehensive income		1,170	1,559
Retained earnings		4,393	3,871
Total stockholders' equity		47,971	47,218
Total liabilities and stockholders' equity		\$ 56,827	\$ 59,886

See notes to interim consolidated financial statements.

Table of Contents**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(in thousands, except per share data)****(unaudited)**

	Three months ended March 31,	
	2010	2009
REVENUES:		
Advisory fees - Asset-based	\$ 10,080	\$ 6,130
Trust fees	3,009	2,421
Other revenues, net	127	(334)
Total revenues	13,216	8,217
EXPENSES:		
Employee compensation and benefits	6,796	4,694
Sales and marketing	133	130
WHG mutual funds	143	177
Information technology	327	310
Professional services	572	395
General and administrative	692	582
Total expenses	8,663	6,288
Income before income taxes	4,553	1,929
Provision for income taxes	1,620	699
Net income	\$ 2,933	\$ 1,230
Earnings per share:		
Basic	\$ 0.45	\$ 0.20
Diluted	\$ 0.43	\$ 0.19

See notes to interim consolidated financial statements.

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

For the Three Months Ended March 31, 2010

(in thousands, except share amounts)

(unaudited)

	Westwood Holdings Group, Inc.		Additional	Other			Total
	Common Stock, Par Shares	Amount	Paid-In Capital	Treasury Stock	Comprehensive Income	Retained Earnings	
BALANCE, January 1, 2010	7,151,472	\$ 73	\$ 47,741	\$ (6,026)	\$ 1,559	\$ 3,871	\$ 47,218
Net income						2,933	2,933
Issuance of restricted stock, net	203,500	2	(2)				
Dividends declared (\$0.33 per share)						(2,411)	(2,411)
Restricted stock amortization			1,891				1,891
Other comprehensive income-unrealized loss on investment securities					(389)		(389)
Tax benefit related to equity compensation			727				727
Stock options exercised	4,450		57				57
Purchase of treasury stock	(52,829)			(2,055)			(2,055)
BALANCE, March 31, 2010	7,306,593	\$ 75	\$ 50,414	\$ (8,081)	\$ 1,170	\$ 4,393	\$ 47,971

See notes to interim consolidated financial statements.

Table of Contents**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	For the three months ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,933	\$ 1,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	78	59
Amortization of intangible assets	26	
Fair market valuation of deferred acquisition liabilities	46	
Unrealized (gains) and losses on investments	(84)	379
Restricted stock amortization	1,891	1,483
Deferred income taxes	1,045	(169)
Excess tax benefits from stock-based compensation	(643)	(471)
Net sales (purchases) of investments trading securities	982	(3,756)
Change in operating assets and liabilities:		
Accounts receivable	144	8,735
Other assets	(273)	(178)
Accounts payable and accrued liabilities	96	(388)
Compensation and benefits payable	(3,554)	(5,129)
Income taxes payable	33	(255)
Other liabilities	(17)	70
Net cash provided by operating activities	2,703	1,610
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of money market funds available for sale	(10,196)	(16,640)
Sales of money market funds available for sale	11,516	16,565
Purchase of property and equipment	(16)	(9)
Net cash provided by (used in) investing activities	1,304	(84)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(2,055)	(869)
Excess tax benefits from stock-based compensation	643	471
Cash dividends	(2,360)	(2,087)
Proceeds from exercise of stock options	57	