

GAMCO INVESTORS, INC. ET AL
Form 10-Q
August 05, 2010

SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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 No. 1-106

GAMCO INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

New York
(State of other jurisdiction
of incorporation or
organization)

13-4007862
(I.R.S. Employer
Identification No.)

One Corporate Center, Rye,
NY
(Address of principle
executive offices)

10580-1422
(Zip Code)

(914) 921-5100

Registrant's telephone number, including area code

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.

Yesx Noo

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yeso Noo

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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 the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practical date.

Class	Outstanding at July 31, 2010
Class A Common Stock, .001 par value	6,982,351
Class B Common Stock, .001 par value	20,292,263

INDEX

GAMCO INVESTORS, INC. AND SUBSIDIARIES

PART I. FINANCIAL
INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income:

- Three months ended June 30, 2010 and 2009

- Six months ended June 30, 2010 and 2009

Condensed Consolidated Statements of Financial Condition:

- June 30, 2010

- December 31, 2009

- June 30, 2009

Condensed Consolidated Statements of Equity and Comprehensive Income:

- Six months ended June 30, 2010 and 2009

Condensed Consolidated Statements of Cash Flows:

- Six months ended June 30, 2010 and 2009

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk (Included in Item 2)

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 6. Exhibits

SIGNATURES

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

(Dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues				
Investment advisory and incentive fees	\$ 50,271	\$ 35,989	\$ 99,613	\$ 71,188
Institutional research services	4,524	3,949	7,948	7,599
Distribution fees and other income	7,704	5,233	14,936	9,743
Total revenues	62,499	45,171	122,497	88,530
Expenses				
Compensation	25,871	19,681	52,084	40,466
Management fee	1,380	2,304	3,828	3,653
Distribution costs	7,099	5,583	14,130	11,005
Other operating expenses	5,569	4,942	10,505	9,243
Total expenses	39,919	32,510	80,547	64,367
Operating income	22,580	12,661	41,950	24,163
Other income (expense)				
Net gain/(loss) from investments	(7,797)	10,730	(2,565)	13,322
Interest and dividend income	1,089	801	1,904	2,079
Interest expense	(3,406)	(3,435)	(6,698)	(6,669)
Total other income (expense), net	(10,114)	8,096	(7,359)	8,732
Income before income taxes	12,466	20,757	34,591	32,895
Income tax provision	4,401	7,133	12,695	11,121
Net income	8,065	13,624	21,896	21,774
Net income/(loss) attributable to noncontrolling interests	16	308	121	246
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$ 8,049	\$ 13,316	\$ 21,775	\$ 21,528
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic	\$ 0.30	\$ 0.49	\$ 0.80	\$ 0.79
Diluted	\$ 0.30	\$ 0.48	\$ 0.80	\$ 0.78
Weighted average shares outstanding:				
Basic	26,979	27,384	27,081	27,381
Diluted	27,219	27,508	27,306	27,446
Dividends declared:	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.06

See accompanying notes.

3

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
UNAUDITED

(Dollars in thousands, except per share data)

	June 30, 2010	December 31, 2009	June 30, 2009
ASSETS			
Cash and cash equivalents, including restricted cash of \$62,287, \$62,258 and \$42,215, respectively	\$ 321,029	\$ 400,528	\$ 452,545
Investments in securities, including restricted securities of \$0, \$0 and \$19,998, respectively	213,079	157,403	162,128
Investments in partnerships	74,107	62,655	59,996
Receivable from brokers	54,548	30,072	15,226
Investment advisory fees receivable	16,844	35,685	12,791
Income tax receivable and deferred tax assets	3,436	-	9,303
Other assets	20,445	21,466	18,035
Total assets	\$ 703,488	\$ 707,809	\$ 730,024
LIABILITIES AND EQUITY			
Payable to brokers	\$ 3,351	\$ 395	\$ 4,914
Income taxes payable and deferred tax liabilities	-	8,523	-
Capital lease obligation	5,219	5,265	5,296
Compensation payable	18,613	13,302	13,539
Securities sold, not yet purchased	13,652	9,569	7,037
Mandatorily redeemable noncontrolling interests	1,632	1,622	1,518
Accrued expenses and other liabilities	28,146	25,157	22,698
Sub-total	70,613	63,833	55,002
5.5% Senior notes (due May 15, 2013)	99,000	99,000	99,000
6% Convertible note (due August 14, 2011)	19,948	39,851	39,808
6.5% Convertible note (due October 2, 2018)	60,000	60,000	60,000
Total liabilities	249,561	262,684	253,810
Redeemable noncontrolling interests	7,773	1,464	1,326
Commitments and contingencies (Note J)			
Equity			
GAMCO Investors, Inc. stockholders' equity			
Class A Common Stock, \$0.001 par value; 100,000,000			
shares authorized; 13,203,330, 13,120,276 and 13,101,808			
issued, respectively; 6,984,351, 7,311,997 and 7,446,529			
outstanding, respectively			
	13	13	13

Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 20,292,263, 20,292,917 and 20,301,435 shares			
outstanding, respectively	20	20	20
Additional paid-in capital	254,444	251,591	248,606
Retained earnings	430,605	410,473	433,324
Accumulated comprehensive income	15,960	19,088	23,844
Treasury stock, at cost (6,218,979, 5,808,279 and 5,655,279 shares, respectively)	(258,956)	(241,567)	(234,706)
Total GAMCO Investors, Inc. stockholders' equity	442,086	439,618	471,101
Noncontrolling interests	4,068	4,043	3,787
Total equity	446,154	443,661	474,888
Total liabilities and equity	\$ 703,488	\$ 707,809	\$ 730,024

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
UNAUDITED
(In thousands)

For the six months ended June 30, 2010

GAMCO Investors, Inc. shareholders

	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests	Comprehensive Income
Balance at December 31, 2009	\$ 4,043	\$ 33	\$ 251,591	\$ 410,473	\$ 19,088	\$ (241,567)	\$ 443,661	\$ 1,464	\$ -
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(475)	-
Contributions of noncontrolling interests	-	-	-	-	-	-	-	6,688	-
Net income	25	-	-	21,775	-	-	21,800	96	21,896
Net unrealized losses on securities available for sale, net of income tax benefit (\$1,821)	-	-	-	-	(3,101)	-	(3,101)	-	(3,101)
Foreign currency translation	-	-	-	-	(27)	-	(27)	-	(27)
Dividends declared (\$0.06 per share)	-	-	-	(1,643)	-	-	(1,643)	-	-
Stock based compensation expense	-	-	2,805	-	-	-	2,805	-	-
Exercise of stock options including tax benefit	-	-	48	-	-	-	48	-	-
Purchase of treasury stock	-	-	-	-	-	(17,389)	(17,389)	-	-
Balance at June 30, 2010	\$ 4,068	\$ 33	\$ 254,444	\$ 430,605	\$ 15,960	\$ (258,956)	\$ 446,154	\$ 7,773	\$ 18,768

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
UNAUDITED
(In thousands)

For the six months ended June 30, 2009

GAMCO Investors, Inc. shareholders

	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests	Comprehensive Income
Balance at December 31, 2008	\$ 4,788	\$ 33	\$ 245,973	\$ 413,761	\$ 14,923	\$ (234,537)	\$ 444,941	\$ 4,201	\$ -
Purchase of subsidiary shares from noncontrolling interest	(747)	-	-	-	-	-	(747)	-	-
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(2,963)	-
Spin-off of subsidiary shares to noncontrolling interests	(412)	-	-	-	-	-	(412)	-	-
Net income	158	-	-	21,528	-	-	21,686	88	21,774
Net unrealized gains on securities available for sale, net of income tax (\$5,135)	-	-	-	-	8,861	-	8,861	-	8,861
Foreign currency translation	-	-	-	-	60	-	60	-	60
Dividends declared (\$0.06 per share)	-	-	-	(1,965)	-	-	(1,965)	-	-
Income tax effect of transaction with shareholders	-	-	(243)	-	-	-	(243)	-	-
Stock based compensation expense	-	-	2,538	-	-	-	2,538	-	-

Exercise of stock options including tax benefit	-	-	338	-	-	-	338	-	-
Purchase of treasury stock	-	-	-	-	-	(169)	(169)	-	-
Balance at June 30, 2009	\$ 3,787	\$ 33	\$ 248,606	\$ 433,324	\$ 23,844	\$ (234,706)	\$ 474,888	\$ 1,326	\$ 30,695

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(In thousands)

	Six Months Ended	
	2010	June 30, 2009
Operating activities		
Net income	\$ 21,896	\$ 21,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net gains from partnerships and affiliates	(1,037)	(5,678)
Depreciation and amortization	343	327
Stock based compensation expense	2,805	2,538
Deferred income taxes	2,934	1,674
Tax benefit from exercise of stock options	8	113
Foreign currency translation gain/(loss)	(27)	60
Fair value of donated securities	(608)	370
Gains on sales of available for sale securities	(13)	(1,965)
Amortization of discount on debt	297	42
(Increase) decrease in assets:		
Investments in trading securities	(59,206)	84,896
Investments in partnerships:		
Contributions to partnerships	(15,807)	(932)
Distributions from partnerships	5,392	7,321
Receivable from brokers	(24,476)	1,234
Investment advisory fees receivable	18,841	(855)
Income tax receivable and deferred tax assets	-	7,824
Other assets	667	1,294
Increase (decrease) in liabilities:		
Payable to brokers	2,956	3,057
Income taxes payable and deferred tax liabilities	(13,073)	-
Compensation payable	5,313	(1,058)
Mandatorily redeemable noncontrolling interests	10	122
Accrued expenses and other liabilities	2,972	(999)
Total adjustments	(71,709)	99,385
Net cash provided by operating activities	(49,813)	121,159

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED (continued)
(In thousands)

	Six Months Ended	
	June 30,	
	2010	2009
Investing activities		
Purchases of available for sale securities	\$ (9)	\$ (6,174)
Proceeds from sales of available for sale securities	3,320	5,340
Increase in restricted cash	(29)	(35,059)
Net cash provided by (used in) investing activities	3,282	(35,893)
Financing activities		
Contributions related to consolidated investment partnerships and offshore funds	-	(2,963)
Repayment of 6% Convertible note due August 14, 2011	(20,200)	-
Proceeds from exercise of stock options	40	225
Dividends paid	(1,643)	(2,574)
Contributions (Redemptions) of noncontrolling interests	6,213	(747)
Purchase of treasury stock	(17,389)	(169)