

GAMCO INVESTORS, INC. ET AL
Form 10-Q
August 07, 2018
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, 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 No. 001-14761

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

Delaware 13-4007862
(State of other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Corporate Center, Rye, NY 10580-1422
(Address of principle executive offices) (Zip Code)

(914) 921-3700
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.

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company o Emerging growth company

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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 new or revised financial 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

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, 2018
Class A Common Stock, .001 par value (Including 267,300 restricted stock awards)	9,937,977
Class B Common Stock, .001 par value	19,024,404

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GAMCO INVESTORS, INC. AND SUBSIDIARIES

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- Six months ended June 30, 2018 and 2017

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- Six months ended June 30, 2018 and 2017

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- June 30, 2017

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- Six months ended June 30, 2018 and 2017

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

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Investment advisory and incentive fees	\$77,334	\$76,625	\$154,682	\$151,614
Distribution fees and other income	9,859	10,975	20,008	21,903
Total revenues	87,193	87,600	174,690	173,517
Expenses				
Compensation	28,952	29,437	54,902	54,715
Management fee	1,482	2,356	6,116	4,520
Distribution costs	9,852	10,795	20,056	21,708
Other operating expenses	5,534	5,352	10,987	10,471
Total expenses	45,820	47,940	92,061	91,414
Operating income	41,373	39,660	82,629	82,103
Other income (expense)				
Net gain (loss) from investments	1,409	(14)	(3,938)	26
Interest and dividend income	526	551	1,018	1,020
Interest expense	(922)	(2,749)	(2,122)	(5,581)
Total other income/(expense), net	1,013	(2,212)	(5,042)	(4,535)
Income before income taxes	42,386	37,448	77,587	77,568
Income tax provision	10,804	14,554	18,744	29,854
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$31,582	\$22,894	\$58,843	\$47,714
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic	\$1.10	\$0.79	\$2.04	\$1.65
Diluted	\$1.10	\$0.76	\$2.04	\$1.58
Weighted average shares outstanding:				
Basic	28,777	28,896	28,846	28,933
Diluted	28,819	31,100	28,867	31,130
Dividends declared:	\$0.02	\$0.02	\$0.04	\$0.04

See accompanying notes.

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

(Dollars in thousands, except per share data)

	Three Months		Six Months Ended	
	Ended		June 30,	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Net income	\$31,582	\$22,894	\$58,843	\$47,714
Other comprehensive gain/(loss), net of tax:				
Foreign currency translation	(60)	37	29	47
Net unrealized gain/(loss) on securities available for sale (a)	-	1,259	-	(1,302)
Other comprehensive gain/(loss)	(60)	1,296	29	(1,255)
Comprehensive income attributable to GAMCO Investors, Inc.	\$31,522	\$24,190	\$58,872	\$46,459

(a) Net of income tax expense/(benefit) of \$0, \$739, \$0 and (\$765), respectively.

Effective January 1, 2018, upon the adoption of ASU 2016-01, the Company no longer recognizes unrealized gains or losses on equity securities through other comprehensive gain/(loss). See Note C.

See accompanying notes.

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

(Dollars in thousands, except per share data)

	June 30, 2018	December 31, 2017	June 30, 2017
ASSETS			
Cash and cash equivalents	\$41,488	\$17,821	\$90,405
Investments in securities	33,955	36,790	35,225
Receivable from brokers	2,993	1,578	843
Investment advisory fees receivable	28,536	38,712	27,495
Receivable from affiliates	4,470	5,635	4,893
Deferred tax asset and income tax receivable	17,177	15,615	19,361
Other assets	11,542	12,135	12,709
Total assets	\$140,161	\$128,286	\$190,931
LIABILITIES AND EQUITY			
Payable to brokers	\$6,329	\$14,926	\$4,670
Income taxes payable and deferred tax liabilities	3,242	3,128	3,486
Capital lease obligation	4,872	4,943	5,008
Compensation payable	97,626	82,907	53,642
Payable to affiliates	978	855	2,387
Accrued expenses and other liabilities	27,827	28,656	28,791
Sub-total	140,874	135,415	97,984
4.5% Convertible note (net of issuance costs of \$0, \$0 and \$147, respectively) (due August 15, 2021) (Note G)	-	-	109,853
AC 4% PIK Note (due November 30, 2020) (Note G)	20,000	50,000	80,000
AC 1.6% Note Payable (due February 28, 2018) (Note G)	-	15,000	-
5.875% Senior notes (net of issuance costs of \$69, \$81 and \$93, respectively) (due June 1, 2021) (Note G)	24,156	24,144	24,132
Total liabilities	185,030	224,559	311,969
Commitments and contingencies (Note J)	-	-	-
Equity			
GAMCO Investors, Inc. stockholders' equity			
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-	-
Class A Common Stock, \$0.001 par value; 100,000,000 shares authorized; 15,809,989, 15,541,489 and 15,475,025 issued, respectively; 9,961,459, 9,949,482 and 10,208,724 outstanding, respectively	14	14	14
Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 19,024,404, 19,024,404 and 19,092,168 shares outstanding, respectively	19	19	19
Additional paid-in capital	13,113	12,572	8,981
Retained earnings	225,735	155,939	127,058
Accumulated other comprehensive income	(205)	11,876	10,016
Treasury stock, at cost (5,848,530, 5,592,007 and 5,266,301 shares, respectively)	(283,545)	(276,693)	(267,126)

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Total GAMCO Investors, Inc. stockholders' equity (deficit)	(44,869)	(96,273)	(121,038)
Total liabilities and equity	\$ 140,161	\$ 128,286	\$ 190,931

See accompanying notes.

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

For the Six Months Ended June 30, 2018

	GAMCO Investors, Inc. stockholders					
	Common	Additional	Retained	Accumulated	Treasury	Total
	Stock	Paid-in	Earnings	Other	Stock	
	Capital	Capital		Comprehensive		
				Income		
Balance at December 31, 2017	\$33	\$ 12,572	\$155,939	\$ 11,876	\$(276,693)	\$(96,273)
Net income	-	-	58,843	-	-	58,843
Reclassification pursuant to adoption of ASU 2016-01, net of tax	-	-	12,110	(12,110)	-	-
Foreign currency translation	-	-	-	29	-	29
Dividends declared (\$0.04 per share)	-	-	(1,157)	-	-	(1,157)
Stock based compensation expense	-	541	-	-	-	541
Purchase of treasury stock	-	-	-	-	(6,852)	(6,852)
Balance at June 30, 2018	\$33	\$ 13,113	\$225,735	\$ (205)	\$(283,545)	\$(44,869)

See accompanying notes.

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

For the Six Months Ended June 30, 2017

	GAMCO Investors, Inc. stockholders					Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	
Balance at December 31, 2016	\$33	\$ 3,903	\$80,515	\$ 11,271	\$(262,369)	\$(166,647)
Net income	-	-	47,714	-	-	47,714
Net unrealized losses on securities available for sale, net of income tax benefit (\$752)	-	-	-	(1,281)	-	(1,281)
Amounts reclassified from accumulated other comprehensive income, net of income tax expense (\$13)	-	-	-	(21)	-	(21)
Foreign currency translation	-	-	-	47	-	47
Dividends declared (\$0.04 per share)	-	-	(1,171)	-	-	(1,171)
Stock based compensation expense	-	5,078	-	-	-	5,078
Purchase of treasury stock	-	-	-	-	(4,757)	(4,757)
Balance at June 30, 2017	\$33	\$ 8,981	\$127,058	\$ 10,016	\$(267,126)	\$(121,038)

See accompanying notes.

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

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net income	\$58,843	\$47,714
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	289	294
Stock based compensation expense	541	5,078
Deferred income taxes	(3,896)	(5,698)
Foreign currency translation loss	29	47
Cost basis of donated securities	85	16
(Increase) decrease in assets:		
Investments in securities (trading securities for 2017)	2,750	27
Receivable from affiliates	1,257	1,069
Receivable from brokers	(1,416)	(390)
Investment advisory fees receivable	10,176	16,241
Income taxes receivable and deferred tax assets	(1,562)	(10,013)
Other assets	299	(357)
Increase (decrease) in liabilities:		
Payable to affiliates	123	974
Payable to brokers	(117)	4,604
Income taxes payable and deferred tax liabilities	4,011	