

LABRANCHE & CO INC  
Form 10-Q  
November 14, 2003

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM 10-Q

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

For the quarterly period ended September 30, 2003

OR

o **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 001-15251

## LABRANCHE & CO INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-4064735**  
(I.R.S. Employer  
Identification No.)

**One Exchange Plaza, New York, New York 10006**  
(Address of principal executive offices)

**(212) 425-1144**  
(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year,  
if changed since last report)

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the registrant's common stock outstanding as of November 14, 2003 was 59,791,036.

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## PART I

**FINANCIAL INFORMATION**

## Item 1.

**Financial Statements.**

**LaBRANCHE & CO INC. and SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
**(000 s omitted except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)
<b>REVENUES:</b>				
Net gain on principal transactions	\$ 45,019	\$ 93,829	\$ 157,013	\$ 255,684
Commissions	23,371	24,383	70,746	67,776
Other	2,514	53	7,283	15,593
<b>Total revenues</b>	<b>70,904</b>	<b>118,265</b>	<b>235,042</b>	<b>339,053</b>
<b>EXPENSES:</b>				
Employee compensation and related benefits	25,324	36,085	76,239	98,238
Interest	12,113	12,554	36,041	38,238
Exchange, clearing and brokerage fees	9,260	11,105	30,858	28,085
Lease of exchange memberships	6,118	6,380	18,773	19,487
Depreciation and amortization of intangibles	3,128	3,366	9,717	10,055
Other	8,665	8,092	23,812	22,527
<b>Total expenses</b>	<b>64,608</b>	<b>77,582</b>	<b>195,440</b>	<b>216,630</b>
Income before minority interest and provision for income taxes	6,296	40,683	39,602	122,423
<b>MINORITY INTEREST</b>	<b>167</b>		<b>294</b>	
Income before provision for income taxes	6,129	40,683	39,308	122,423
<b>PROVISION FOR INCOME TAXES</b>	<b>2,917</b>	<b>19,306</b>	<b>18,979</b>	<b>58,453</b>
<b>Net income</b>	<b>\$ 3,212</b>	<b>\$ 21,377</b>	<b>\$ 20,329</b>	<b>\$ 63,970</b>

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Series A Preferred dividends and discount accretion		950		1,600		3,059		5,417
Net income available to common stockholders	\$	2,262	\$	19,777	\$	17,270	\$	58,553
Weighted average shares outstanding:								
Basic		59,649		59,008		59,557		58,858
Diluted		60,171		59,784		60,134		59,813
Earnings per share:								
Basic	\$	0.04	\$	0.34	\$	0.29	\$	0.99
Diluted	\$	0.04	\$	0.33	\$	0.29	\$	0.98

The accompanying notes are an integral part of these condensed consolidated statements.

## LaBRANCHE &amp; CO INC. and SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(000 s omitted except share data)

	September 30, 2003 (unaudited)	As of December 31, 2002 (audited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 334,977	\$ 77,033
Cash and securities segregated under federal regulations	7,062	16,012
Securities purchased under agreements to resell	10,700	26,000
Receivable from brokers, dealers and clearing organizations	221,063	145,387
Receivable from customers	4,357	12,425
United States Government obligations		395,840
Securities owned, at market value:		
Corporate equities	253,037	106,295
Exchange-traded funds	149,524	21,455
Options	64,799	61,478
Commissions receivable	4,463	4,379
Exchange memberships contributed for use, at market value	22,800	26,176
Exchange memberships owned, at cost (market value of \$74,480 and \$78,337, respectively)	77,834	77,815
Office equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$8,439 and \$6,987, respectively	4,879	6,089
Intangible assets, net of accumulated amortization:		
Specialist stock lists	374,174	381,956
Trade name	25,011	25,011
Goodwill	470,536	470,598
Other assets	47,403	58,853
Total assets	\$ 2,072,619	\$ 1,912,802



	As of	
	September 30, 2003 (unaudited)	December 31, 2002 (audited)
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Liabilities:</b>		
Payable to brokers and dealers	\$ 33,410	\$ 16,417
Payable to customers	24,943	21,971
Securities sold, but not yet purchased, at market value:		
Corporate equities	229,380	106,685
Exchange-traded funds	86,258	4,359
Options	62,800	63,695
Accrued compensation	40,304	55,185
Accounts payable and other accrued expenses	28,913	50,268
Income taxes payable	11,050	13,201
Deferred tax liabilities	182,114	179,924
Short term debt	101,960	2,000
Long term debt	255,452	354,948
Subordinated liabilities:		
Exchange memberships, at market value	22,800	26,176
Other subordinated indebtedness	20,285	28,285
<b>Total liabilities</b>	<b>1,099,669</b>	<b>923,114</b>
Minority interest	294	
<b>Commitments and contingencies</b>		
Preferred stock, liquidation value of \$1,000 per share; 10,000,000 shares authorized; 39,186 and 63,836 shares issued and outstanding as of September 30, 2003 and December 31, 2002, respectively		
	38,151	61,361
Common stock, \$.01 par value, 200,000,000 shares authorized; 59,789,590 and 59,504,148 shares issued and outstanding as of September 30, 2003 and December 31, 2002, respectively		
	598	595
Additional paid-in-capital	682,197	679,601
Retained earnings	252,043	249,065
Unearned compensation	(333)	(934)
<b>Total stockholders equity</b>	<b>972,656</b>	<b>989,688</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,072,619</b>	<b>\$ 1,912,802</b>

The accompanying notes are an integral part of these condensed consolidated statements.



**LaBRANCHE & CO INC. and SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(000 s omitted)**

	<b>Nine Months Ended</b>	
	<b>September 30, 2003</b>	<b>September 30, 2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 20,329	\$ 63,970
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles		