

WESTWOOD HOLDINGS GROUP INC
Form 10-Q
July 26, 2007
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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 June 30, 2007.

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
(State or other jurisdiction of
incorporation or organization)

200 CRESCENT COURT, SUITE 1200

DALLAS, TEXAS

75201

75-2969997
(IRS Employer

Identification No.)

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(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 periods 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 24, 2007: 6,626,703.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

As of June 30, 2007 and December 31, 2006

(in thousands, except par value and share amounts)

	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,946	\$ 2,177
Accounts receivable	2,754	3,111
Investments, at market value	19,349	17,933
Deferred income taxes	1,724	1,267
Other current assets	366	465
Total current assets	28,139	24,953
Goodwill	2,302	2,302
Deferred income taxes	15	214
Property and equipment, net of accumulated depreciation of \$898 and \$774	1,111	1,253
Total assets	\$ 31,567	\$ 28,722
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 699	\$ 778
Dividends payable	1,330	996
Compensation and benefits payable	2,210	2,801
Income taxes payable	883	689
Other current liabilities	11	10
Total current liabilities	5,133	5,274
Deferred rent	655	713
Total liabilities	5,788	5,987
Stockholders Equity:		
Common stock, \$0.01 par value, authorized 10,000,000 shares, issued 6,659,356 and outstanding 6,653,859 shares at June 30, 2007; issued and outstanding 6,638,525 shares at December 31, 2006	67	66
Additional paid-in capital	23,141	20,289
Treasury stock, at cost 5,497 shares at June 30, 2007; 0 shares at December 31, 2006	(131)	
Retained earnings	2,702	2,380

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Total stockholders' equity	25,779	22,735
Total liabilities and stockholders' equity	\$ 31,567	\$ 28,722

See notes to 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 June 30,		Six months ended June 30,	
	2007	2006	2007	2006
REVENUES:				
Advisory fees	\$ 5,003	\$ 4,311	\$ 9,586	\$ 8,490
Trust fees	2,516	2,042	4,892	3,940
Other revenues	438	286	832	720
Total revenues	7,957	6,639	15,310	13,150
EXPENSES:				
Employee compensation and benefits	4,266	3,730	7,975	6,921
Sales and marketing	147	157	268	283
WHG mutual funds	66	15	101	87
Information technology	249	225	482	457
Professional services	379	375	779	728
General and administrative	609	520	1,125	1,014
Total expenses	5,716	5,022	10,730	9,490
Income before income taxes	2,241	1,617	4,580	3,660
Provision for income taxes	768	631	1,600	1,417
Income before cumulative effect of accounting change	1,473	986	2,980	2,243
Cumulative effect of change in accounting principle, net of income taxes of \$21				39
Net income	\$ 1,473	\$ 986	\$ 2,980	\$ 2,282
Earnings per share:				
Basic:				
Continuing operations	\$ 0.26	\$ 0.18	\$ 0.52	\$ 0.41
Cumulative effect of an accounting change				
Net income	\$ 0.26	\$ 0.18	\$ 0.52	\$ 0.41
Diluted:				
Continuing operations	\$ 0.24	\$ 0.18	\$ 0.49	\$ 0.40
Cumulative effect of an accounting change				0.01
Net income	\$ 0.24	\$ 0.18	\$ 0.49	\$ 0.41

See notes to consolidated financial statements.

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

For the Six Months Ended June 30, 2007

(in thousands)

(unaudited)

	Westwood Holdings Group, Inc. Common Stock, Par		Additional Paid-In	Treasury	Retained	Total
	Shares	Amount	Capital	Stock	Earnings	
BALANCE, January 1, 2007	6,638,525	\$ 66	\$ 20,289	\$	\$ 2,380	\$ 22,735
Net income					2,980	2,980
Cancellation of restricted stock	(3,275)					
Dividends declared (\$0.40 per share)					(2,658)	(2,658)
Restricted stock amortization			2,260			2,260
Tax benefit related to equity compensation			282			282
Stock options exercised	24,106	1	310			311
Purchase of treasury stock	(5,497)			(131)		(131)
BALANCE, June 30, 2007	6,653,859	\$ 67	\$ 23,141	\$ (131)	\$ 2,702	\$ 25,779

See notes to consolidated financial statements.

Table of Contents**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	For the six months ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,980	\$ 2,282
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	124	138
Unrealized gains on investments	(20)	(110)
Stock option expense		122
Restricted stock amortization	2,260	1,765
Deferred income taxes	(258)	(630)
Cumulative effect of change in accounting principle		(39)
Excess tax benefits from stock-based compensation	(176)	(7)
Net purchases of investments trading securities	(778)	(129)
Change in operating assets and liabilities:		
Accounts receivable	357	41
Other current assets	102	55
Accounts payable and accrued liabilities	(79)	(94)
Compensation and benefits payable	(591)	(1,173)
Income taxes payable	476	114
Other liabilities	(3)	9
Net cash provided by operating activities	4,394	2,344
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of money market funds available for sale	(3,986)	(2,775)
Sales of money market funds available for sale	3,368	2,423
Purchase of property and equipment	(39)	(40)
Net cash used in investing activities	(657)	(392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(131)	
Excess tax benefits from stock-based compensation	176	7
Proceeds from exercise of stock options	311	72
Cash dividends	(2,324)	(1,078)
Net cash used in financing activities	(1,968)	