

WESTWOOD HOLDINGS GROUP INC
Form 10-Q
July 27, 2006

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, 2006.

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

(Address of Principal Executive Office)(Zip Code)

TELEPHONE NUMBER (214) 756-6900

(Registrant's telephone number, including area code)

75-2969997
(IRS Employer

Identification No.)

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(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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value 6,395,397 shares as of July 24, 2006.

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PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED FINANCIAL STATEMENTS

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of June 30, 2006 and December 31, 2005

(in thousands, except par value and share amounts)

(unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,850	\$ 1,897
Accounts receivable	2,411	2,452
Investments, at market value	18,469	17,878
Other current assets	347	410
Total current assets	24,077	22,637
Goodwill	2,302	2,302
Deferred income taxes	1,426	817
Property and equipment, net of accumulated depreciation of \$654 and \$523	1,410	1,554
Total assets	\$ 29,215	\$ 27,310
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 621	\$ 715
Dividends payable	575	539
Compensation and benefits payable	1,807	2,980
Income taxes payable	771	694
Other current liabilities	9	7
Total current liabilities	3,783	4,935
Deferred rent	769	816
Total liabilities	4,552	5,751
Stockholders Equity:		
Common stock, \$0.01 par value, authorized 10,000,000 shares, issued and outstanding 6,389,147 shares at June 30, 2006; issued and outstanding 5,986,647 shares at December 31, 2005	64	60
Additional paid-in capital	16,819	21,459
Unamortized stock compensation		(6,572)
Retained earnings	7,780	6,612
Total stockholders equity	24,663	21,559
Total liabilities and stockholders equity	\$ 29,215	\$ 27,310

See notes to consolidated financial statements.

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,	
	2006	2005	2006	2005
REVENUES:				
Advisory fees	\$ 4,311	\$ 3,309	\$ 8,490	\$ 6,500
Trust fees	2,042	1,668	3,940	3,371
Other revenues	286	276	720	464
Total revenues	6,639	5,253	13,150	10,335
EXPENSES:				
Employee compensation and benefits	3,730	2,681	6,921	5,279
Sales and marketing	177	145	365	227
Information technology	220	192	462	377
Professional services	375	274	728	593
General and administrative	520	435	1,014	912
Total expenses	5,022	3,727	9,490	7,388
Income before income taxes	1,617	1,526	3,660	2,947
Provision for income taxes	631	589	1,417	1,135
Income before cumulative effect of accounting change	986	937	2,243	1,812
Cumulative effect of change in accounting principle, net of income taxes of \$21			39	
Net income	\$ 986	\$ 937	\$ 2,282	\$ 1,812
Earnings per share:				
Basic:				
Continuing operations	\$ 0.18	\$ 0.17	\$ 0.41	\$ 0.33
Cumulative effect of an accounting change				
Net income	\$ 0.18	\$ 0.17	\$ 0.41	\$ 0.33
Diluted:				
Continuing operations	\$ 0.18	\$ 0.17	\$ 0.40	\$ 0.32
Cumulative effect of an accounting change			0.01	
Net income	\$ 0.18	\$ 0.17	\$ 0.41	\$ 0.32

See notes to consolidated financial statements.

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

For the Six Months Ended June 30, 2006

(in thousands)

(unaudited)

	Westwood Holdings Group, Inc.		Additional Paid-In Capital	Unamortized Stock Compensation	Retained Earnings	Total
	Common Stock, Par Shares	Amount				
BALANCE, January 1, 2006	5,986,647	\$ 60	\$ 21,459	\$ (6,572)	\$ 6,612	\$ 21,559
Net income					2,282	2,282
Issuance of restricted stock	397,000	4	(4)			
Reversal of unamortized stock compensation due to FAS 123 (R) implementation			(6,572)	6,572		
Dividends declared (\$0.18 per share)					(1,114)	(1,114)
Amortization of stock compensation			1,765			1,765
Stock options vested			122			122
Tax benefit related to equity compensation			37			37
Stock options exercised	5,500		72			72
Cumulative effect of change in accounting principle			(60)			(60)
BALANCE, June 30, 2006	6,389,147	\$ 64	\$ 16,819	\$	\$ 7,780	\$ 24,663

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the six months ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,282	\$ 1,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	138	135
Unrealized gains on investments	(110)	(99)
Stock option expense	122	125
Restricted stock amortization	1,765	800
Deferred income taxes	(630)	(301)
Cumulative effect of change in accounting principle	(39)	
Net purchases of investments trading securities	(129)	(52)
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	41	(134)
Decrease in other current assets	55	170
Decrease in accounts payable and accrued liabilities	(94)	(17)
Decrease in compensation and benefits payable	(1,173)	(1,126)
Increase in income taxes payable	114	126
Increase in other liabilities	9	53
Net cash provided by operating activities	2,351	1,492
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of money market funds available for sale	(2,775)	(1,982)
Sales of money market funds available for sale	2,423	2,233
Purchase of property and equipment	(40)	(52)
Net cash (used in) provided by investing activities	(392)	199
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	72	165
Cash dividends	(1,078)	(920)
Net cash used in financing activities	(1,006)	(755)
NET INCREASE IN CASH	953	936
Cash and cash equivalents, beginning of period	1,897	