

Evercore Partners Inc.
Form 10-Q
November 20, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

001-32975

(Commission File Number)

EVERCORE PARTNERS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation

20-4748747
(I.R.S. Employer Identification No.)

or Organization)

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55 East 52nd Street

43rd floor

New York, New York 10055

(Address of principal executive offices)

Registrant's telephone number: (212) 857-3100

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 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.

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 registrant's Class A common stock, par value \$0.01 per share, outstanding as of November 10, 2006 was 4,587,738. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of November 10, 2006 was 51 (excluding 49 shares of Class B common stock held by a subsidiary of the registrant).

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PART I. FINANCIAL INFORMATION

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Table of Contents**EVERCORE PARTNERS INC.****CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(dollars in thousands, except share data)

	(UNAUDITED)	
	<i>Combined</i> December 31,	<i>Consolidated</i> September 30,
	2005 PREDECESSOR	2006 SUCCESSOR
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 37,855	\$ 58,930
Restricted Cash	1,519	1,519
Securities		4,708
Financial Instruments Owned and Pledged as Collateral at Fair Value		275,531
Securities Purchased Under Agreements to Resell		74,027
Accounts Receivable (net of allowances of \$256 on December 31, 2005 and \$250 on September 30, 2006)	12,921	11,873
Receivable from Members and Employees	1,739	81
Receivable from Uncombined Affiliates	1,255	1,688
Debt Issuance Costs	607	
Prepaid Expenses	604	2,326
Accounts Receivable Other	353	1,491
Total Current Assets	56,853	432,174
Investments	16,755	13,271
Deferred Offering and Acquisition Costs	5,138	1,639
Furniture, Equipment and Leasehold Improvements, Net	2,263	4,086
Goodwill		30,986
Intangible Assets		2,702
Other Assets	403	486
TOTAL ASSETS	\$ 81,412	\$ 485,344
LIABILITIES AND MEMBERS AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accrued Compensation and Benefits	13,165	12,916
Accounts Payable and Accrued Expenses	11,672	7,042
Securities Sold Under Agreements to Repurchase		349,669
Deferred Revenue	935	1,391
Payable to Members and Employees	659	1,870
Payable to Uncombined Affiliates	440	
Capital Leases Payable Current	193	160
Taxes Payable	1,711	2,460
Other Current Liabilities	626	202
Total Current Liabilities	29,401	375,710
Capital Leases Payable Long-Term	232	119
TOTAL LIABILITIES	29,633	375,829

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Minority Interest	274	22,344
Members and Stockholders Equity		
Members Capital	51,301	
Common Stock:		
Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 4,587,738 issued and outstanding)		46
Class B, par value \$0.01 per share (100,000,000 shares authorized, 51 issued and outstanding)		
Additional Paid-in-Capital		86,775
Retained Earnings		298
Accumulated Other Comprehensive Income	204	52
TOTAL MEMBERS AND STOCKHOLDERS EQUITY	51,505	87,171
TOTAL LIABILITIES AND MEMBERS AND STOCKHOLDERS EQUITY	\$ 81,412	\$ 485,344

See Notes to Unaudited Condensed Combined/Consolidated Financial Statements.

Table of Contents**EVERCORE PARTNERS INC.****CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF INCOME****(UNAUDITED)**

(dollars in thousands, except share data)

	<i>Combined For the Three Months Ended</i>	<i>July 1, 2006 through August 9, 2006</i>	<i>Consolidated For the Period</i>	<i>August 10, 2006</i>	<i>Combined For the Nine Months Ended</i>	<i>Combined For the Period January 1, 2006 through August 9, 2006</i>	<i>Consolidated For the Period August 10, 2006</i>
	September 30, 2005	PREDECESSOR	SUCCESSOR	September 30, 2006	September 30, 2005	PREDECESSOR	SUCCESSOR
REVENUES							
Advisory Revenue	\$ 39,382	\$ 23,552	\$ 12,574	\$ 69,895	\$ 96,122	\$ 12,574	\$ 12,574
Investment Management Revenue	6,997	614	4,152	13,117	16,860	4,152	4,152
Interest Income and Other Revenue	60	343	3,819	135	643	3,819	3,819
TOTAL REVENUES	46,439	24,509	20,545	83,147	113,625	20,545	20,545
Interest Expense			3,319			3,319	3,319
NET REVENUES	46,439	24,509	17,226	83,147	113,625	17,226	17,226
EXPENSES							
Employee Compensation and Benefits	6,971	3,746	10,969	17,585	20,598	10,969	10,969
Occupancy and Equipment Rental	728	405	807	2,149	2,233	807	807
Professional Fees	9,037	2,806	663	16,271	13,527	663	663
Travel and Related Expenses	987	683	964	3,191	4,176	964	964
Communications and Information Services	277	195	311	566	1,075	311	311
Financing Costs		481	11		1,706	11	11
Depreciation and Amortization	186	121	1,093	508	666	1,093	1,093
Other Operating Expenses	565	231	396	1,081	1,319	396	396
TOTAL EXPENSES	18,751	8,668	15,214	41,351	45,300	15,214	15,214
OPERATING INCOME	27,688	15,841	2,012	41,796	68,325	2,012	2,012
Minority Interest	(7)	(1)	1,417	3	6	1,417	1,417
Provision for Income Taxes	776	484	297	1,823	2,368	297	297
NET INCOME	\$ 26,919	\$ 15,358	\$ 298	\$ 39,970	\$ 65,951	\$ 298	\$ 298
Net Income Available to Holders of Shares of Class A Common Stock	N/A		\$ 298	N/A		\$ 298	N/A
Weighted Average Shares of Class A Common Stock Outstanding:							
Basic	N/A		4,795	N/A		4,795	N/A

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Diluted	N/A	4,795	N/A	4,795
Net Income Available to Holders of Shares of Class A Common Stock Per Share:				
Basic	N/A	\$ 0.06	N/A	\$ 0.06
Diluted	N/A	\$ 0.06	N/A	\$ 0.06

See Notes to Unaudited Condensed Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS AND STOCKHOLDERS EQUITY

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2006

(in thousands)

	Common Stock			Accumulated Other		Total Stockholder s
	Members	Additional	Paid-In-Capital	Comprehensive	Retained	Equity /
	Equity	Shares	Dollars	Income	Earnings	Member s
						Capital
Combined						
PREDECESSOR						
Balance at January 1, 2006	\$ 51,301				\$ 204	\$ 51,505
Net Income Allocable to Members through IPO Date	65,951					65,951
Members Contributions through IPO Date	2,644					2,644
Members Distributions through IPO Date	(100,711)					(100,711)
Members Draw through IPO Date	(6,503)					(6,503)
Private Equity Distributions through IPO Date	(3,872)					(3,872)
Distribution of Available-For-Sale Securities					(204)	(204)
Elimination of Non-Contributed Entities	(16,452)					(16,452)
Capital Issuance Related to Acquisition	27,510					27,510
Transfer to Minority Interest	(19,868)					(19,868)
Balance at August 9, 2006						
Consolidated						
SUCCESSOR						
Balance at August 10, 2006						
Net Income Available to Class A Common Shareholders					\$ 298	298
Proceeds Issuance Common Stock	4,542,500	\$ 45	\$	95,347		95,392
Issuance of Common Stock Related to Repayment of Debt	45,238	1		949		950
Costs Related to Issuance of Common Stock				(13,870)		(13,870)
Issuance of Restricted Stock Units	207,116			4,349		4,349
Foreign Currency Translation Adjustment					52	52
Balance at September 30, 2006	\$ 4,794,854	\$ 46	\$	86,775	\$ 52	\$ 298
						\$ 87,171

See Notes to Unaudited Condensed Combined/Consolidated Financial Statements.

Table of Contents**EVERCORE PARTNERS INC.****CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

(dollars in thousands)

	<i>Combined</i>	<i>Combined</i>	<i>Consolidated</i>
	<i>For the Nine</i>	<i>January 1, 2006</i>	<i>August 10, 2006</i>
	<i>Months Ended</i>	<i>through</i>	<i>through</i>
	<i>September 30, 2005</i>	<i>August 9, 2006</i>	<i>September 30, 2006</i>
	PREDECESSOR	PREDECESSOR	SUCCESSOR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 39,970	\$ 65,951	\$ 298
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Stock Compensation			4,349
Depreciation and Amortization	508	1,273	1,093
Minority Interest	3	6	1,417
Bad Debt Expense	2		
Net Gains on Investments	(1,761)	(4,845)	(2,405)
Net Gains on Securities		160	(111)
(Increase) Decrease in Operating Assets:			
Financial Instruments Owned and Pledged as Collateral, at Fair Value			(77,021)
Securities Purchased Under Agreements to Resell			133,570
Accounts Receivable	1,071	4,097	2,576
Placement Fees Receivable	2,487		
Receivable from Members and Employees - Current	933	379	1,279
Receivable from Uncombined Affiliates	(1,069)	(302)	(1,382)
Prepaid Expenses	(469)	(1,270)	(452)
Accounts Receivable - Other	(3)	308	(454)
Deferred Offering and Acquisition Costs	(3,420)	(7,089)	(26)
Other Assets	(169)	(49)	406
Increase (Decrease) in Operating Liabilities:			
Accrued Compensation and Benefits	321	2,488	(3,316)
Accounts Payable and Accrued Expenses	5,874	740	(6,395)
Securities Sold Under Agreements to Repurchase			(56,481)
Placement Fees Payable	(1,244)		
Deferred Revenue	964	1,344	(888)
Payable to Members and Employees	(240)	(243)	(4,505)
Payable to Uncombined Affiliates	210	832	
Taxes Payable	(861)	31	(362)
Other Current Liabilities	(184)	(529)	105
Net Cash (Used in) Provided by Operating Activities	42,923	63,282	(8,705)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Investments	523	3,497	
Cash Acquired from Protego		3,972	
Securities Purchased		(4,158)	(594)
Investments Purchased	(3,953)	(8,202)	(273)
Purchase of Furniture, Equipment and Leasehold Improvements	(598)	(1,272)	(542)
Elimination of Non-Contributed Entities		(54)	
Restricted Cash Deposits	21		

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Net Cash Used in Investing Activities	(4,007)	(6,217)	(1,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for Capital Lease Obligations	(113)	(120)	(31)
Contributions from Members	971	2,644	
Net Proceeds from Initial Public Offering			88,715
Repayment of Short-Term Borrowings			(30,000)
Payment of Notes Payable Protego			(6,050)
Short-Term Borrowings		30,000	
Distributions to Members	(57,224)	(111,086)	
Net Cash (Used in) Provided by Financing Activities	(56,366)	(78,562)	52,634
EFFECT OF EXCHANGE RATE CHANGES ON CASH			52
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS Beginning of Period	37,379	37,855	16,358
CASH AND CASH EQUIVALENTS End of Period	\$ 19,929	\$ 16,358	\$ 58,930

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	<i>Combined</i>	<i>Combined</i>	<i>Consolidated</i>
	<i>For the Nine</i>	<i>January 1, 2006</i>	<i>August 10, 2006</i>
	<i>Months Ended</i>	<i>through</i>	<i>through</i>
	<i>September 30, 2005</i>	<i>August 9, 2006</i>	<i>September 30, 2006</i>
	<i>PREDECESSOR</i>	<i>PREDECESSOR</i>	<i>SUCCESSOR</i>
SUPPLEMENTAL CASH FLOW DISCLOSURE			
Payments for Interest	\$ 91	\$ 917	\$ 203
Payments for Income Taxes	\$ 3,097	\$ 3,808	\$
Fixed Assets Acquired Under Capital Leases	\$ 113	\$	\$
Non-Cash Distribution of Available-For-Sale Securities	\$	\$ 416	\$
Purchase of Protego			
Non-Interest-Bearing Evercore LP Notes	\$	\$ 7,000	\$
Evercore LP Partnership Units		27,510	
Acquisition costs		3,420	
Total Purchase Price		37,930	
Accounts Receivable		(6,582)	
Financial Instruments Owned and Pledged, Fair Value		(198,511)	
Securities Purchased Under Agreements to Resell		(207,596)	
Investments		(1,670)	
Fixed Assets		(990)	
Intangible Assets		(3,480)	
Goodwill		(30,986)	
Other Assets		(483)	
Current Liabilities		2,756	
Securities Sold Under Agreements to Repurchase		406,150	
Dividend Payable		6,375	
Minority Interest		1,059	
Cash Acquired from Purchase	\$	\$ 3,972	\$
Elimination of Non-Contributed Entities			
Members' Equity of Non-Contributed Entities		16,452	
Due To/From Members and Employees		1,255	
Due To/From Uncombined Affiliates		(1,257)	
Investments		(16,757)	
Accounts Payable and Accrued Liabilities		88	
Minority Interest		273	
Cash Withdrawal from General Partner Entity	\$	\$ 54	\$
Issuance of Common Stock to Repay Note Payable	\$	\$	\$ 950
Non-Cash deferred IPO Costs	\$	\$	\$ 7,193
Transfer of Members Equity to Minority Interest	\$	\$ 19,868	\$

See Notes to Unaudited Condensed Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED COMBINED/CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005 & 2006

(dollars in thousands, except per share amounts, unless otherwise noted)

Note 1 Organization

Evercore Partners Inc. and subsidiaries (the Successor Company) is an investment banking firm, incorporated in Delaware on July 21, 2005 and headquartered in New York, New York. The Successor Company is a holding company and its sole material a