

GAMCO INVESTORS, INC. ET AL
Form 10-Q
May 07, 2013

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 March 31, 2013
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)

New York
(State of other jurisdiction
of incorporation or
organization)

13-4007862
(I.R.S. Employer
Identification No.)

One Corporate Center, Rye,
NY
(Address of principle
executive offices)

10580-1422
(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.

Yesx Noo

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).

Yesx Noo

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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 April 30, 2013
Class A Common Stock, .001 par value	6,138,795
Class B Common Stock, .001 par value	19,564,174

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GAMCO INVESTORS, INC. AND SUBSIDIARIES

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- Three months ended March 31, 2013 and 2012

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- March 31, 2012

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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	
	March 31,	
	2013	2012
Revenues		
Investment advisory and incentive fees	\$ 72,607	\$ 67,783
Distribution fees and other income	11,353	11,623
Institutional research services	2,221	2,343
Total revenues	86,181	81,749
Expenses		
Compensation	35,652	34,554
Management fee	3,980	4,184
Distribution costs	11,010	10,177
Other operating expenses	4,812	5,822
Total expenses	55,454	54,737
Operating income	30,727	27,012
Other income (expense)		
Net gain from investments	12,291	13,878
Interest and dividend income	1,345	1,236
Interest expense	(3,488)	(4,404)
Shareholder-designated contribution	(5,000)	-
Total other income, net	5,148	10,710
Income before income taxes	35,875	37,722
Income tax provision	13,195	13,756
Net income	22,680	23,966
Net income attributable to noncontrolling interests	135	130
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$ 22,545	\$ 23,836
Net income attributable to GAMCO Investors, Inc.'s shareholders		
per share:		
Basic	\$ 0.88	\$ 0.90
Diluted	\$ 0.88	\$ 0.90

Weighted average shares outstanding:		
Basic	25,742	26,415
Diluted	25,758	26,533
Dividends declared:	\$ 0.05	\$ 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 Ended	
	March 31,	
	2013	2012
Net income	\$ 22,680	\$ 23,966
Other comprehensive income, net of tax:		
Foreign currency translation	(49)	(17)
Net unrealized gains on securities available for sale (a)	6,040	3,457
Other comprehensive income	5,991	3,440
Comprehensive income	28,671	27,406
Less: Comprehensive income attributable to noncontrolling interests	(135)	(130)
Comprehensive income attributable to GAMCO Investors, Inc.	\$ 28,536	\$ 27,276
(a) Net of income tax expense of \$3,547 and \$2,031 for 2013 and 2012, respectively.		
See accompanying notes.		

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

(Dollars in thousands, except per share data)

	March 31, 2013	December 31, 2012	March 31, 2012
ASSETS			
Cash and cash equivalents	\$273,353	\$190,608	\$324,630
Investments in securities	229,286	218,843	257,607
Investments in sponsored registered investment companies	64,294	61,872	62,305
Investments in partnerships	94,260	97,549	101,685
Receivable from brokers	44,583	50,655	29,298
Investment advisory fees receivable	29,624	42,429	27,193
Income tax receivable	917	1,018	39
Other assets	24,312	27,759	23,668
Total assets	\$760,629	\$690,733	\$826,425
LIABILITIES AND EQUITY			
Payable to brokers	\$15,059	\$14,346	\$22,366
Income taxes payable and deferred tax liabilities	34,292	25,398	24,782
Capital lease obligation	4,914	4,949	5,043
Compensation payable	34,676	10,535	28,834
Securities sold, not yet purchased	6,377	3,136	9,657
Mandatorily redeemable noncontrolling interests	1,343	1,342	1,390
Accrued expenses and other liabilities	34,537	26,365	28,692
Sub-total	131,198	86,071	120,764
5.5% Senior notes (due May 15, 2013)	99,000	99,000	99,000
5.875% Senior notes (due June 1, 2021)	100,000	100,000	100,000
Zero coupon subordinated debentures, Face value: \$21.7 million at March 31, 2013 and December 31, 2012 and \$86.3 million at March 31, 2012 (due December 31, 2015)	17,688	17,366	65,300
Total liabilities	347,886	302,437	385,064
Redeemable noncontrolling interests	16,414	17,362	16,828
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; 14,265,769, 14,203,146 and 13,760,697 issued, respectively; 6,147,532, 6,121,585 and 6,592,716 outstanding, respectively	13	13	13

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Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized;

24,000,000 shares issued; 19,564,174, 19,624,174 and 20,040,746 shares			
outstanding, respectively	20	20	20
Additional paid-in capital	280,196	280,089	265,280
Retained earnings	429,553	408,295	431,963
Accumulated other comprehensive income	32,291	26,300	25,960
Treasury stock, at cost (8,118,237, 8,081,561 and 7,167,981 shares, respectively)	(349,074)	(347,109)	(302,152)
Total GAMCO Investors, Inc. stockholders' equity	392,999	367,608	421,084
Noncontrolling interests	3,330	3,326	3,449
Total equity	396,329	370,934	424,533
Total liabilities and equity	\$760,629	\$690,733	\$826,425

See accompanying notes.

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

For the three months ended March 31, 2013

GAMCO Investors, Inc. stockholders

Accumulated

	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2012	\$ 3,326	\$ 33	\$ 280,089	\$ 408,295	\$ 26,300	\$(347,109)	\$ 370,934	\$ 17,362
Redemptions of redeemable noncontrolling interests	-	-	-	-	-	-	-	(2,298)
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	1,219
Net income (loss)	4	-	-	22,545	-	-	22,549	131
Net unrealized gains on securities available for sale, net of income tax (\$3,823)	-	-	-	-	6,511	-	6,511	-
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit (\$276)	-	-	-	-	(471)	-	(471)	-
Foreign currency translation	-	-	-	-	(49)	-	(49)	-
Dividends declared (\$0.05 per share)	-	-	-	(1,287)	-	-	(1,287)	-
Stock based compensation expense	-	-	15	-	-	-	15	-
Exercise of stock options including tax benefit	-	-	92	-	-	-	92	-
	-	-	-	-	-	(1,965)	(1,965)	-

Purchase of
treasury stock

Balance at March

31, 2013	\$ 3,330	\$33	\$ 280,196	\$429,553	\$ 32,291	\$(349,074)	\$396,329	\$ 16,414
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See accompanying
notes.

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

For the three months ended March 31, 2012

GAMCO Investors, Inc. stockholders

Accumulated

	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2011	\$ 3,439	\$ 33	\$ 264,409	\$ 409,191	\$ 22,520	\$(292,181)	\$ 407,411	\$ 6,071
Redemptions of redeemable noncontrolling interests	-	-	-	-	-	-	-	(3)
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	10,640
Net income	10	-	-	23,836	-	-	23,846	120
Net unrealized gains on securities available for sale, net of income tax (\$2,031)	-	-	-	-	3,457	-	3,457	-
Foreign currency translation	-	-	-	-	(17)	-	(17)	-
Dividends declared (\$0.04 per share)	-	-	-	(1,064)	-	-	(1,064)	-
Stock based compensation expense	-	-	871	-	-	-	871	-
Purchase of treasury stock	-	-	-	-	-	(9,971)	(9,971)	-
Balance at March 31, 2012	\$ 3,449	\$ 33	\$ 265,280	\$ 431,963	\$ 25,960	\$(302,152)	\$ 424,533	\$ 16,828

See accompanying
notes.

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

	Three Months Ended	
	March 31,	
	2013	2012
Operating activities		
Net income	\$22,680	\$23,966
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net gains from partnerships	795	(3,351)
Depreciation and amortization	202	180
Stock based compensation expense	15	871
Deferred income taxes	1,471	1,515
Tax benefit from exercise of stock options	16	-
Foreign currency translation gain/(loss)	(49)	(17)
Fair value of donated securities	148	83
Gains on sales of available for sale securities	(597)	(279)
Accretion of zero coupon debentures	323	1,180
Loss on extinguishment of debt	-	1
(Increase) decrease in assets:		
Investments in trading securities	(5,538)	(13,604)
Investments in partnerships:		
Contributions to partnerships	(3,492)	(23,293)
Distributions from partnerships	5,987	25,852
Receivable from brokers	6,071	(8,385)
Investment advisory fees receivable	12,804	4,963
Income tax receivable and deferred tax assets	97	-
Other assets	3,227	5,023
Increase (decrease) in liabilities:		
Payable to brokers	713	11,596
Income taxes payable and deferred tax liabilities	3,881	5,940
Compensation payable	24,141	11,139
Mandatorily redeemable noncontrolling interests	1	4
Accrued expenses and other liabilities	8,136	4,227
Total adjustments	58,352	23,645
Net cash provided by operating activities	\$81,032	\$47,611

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

	Three Months Ended	
	March 31,	
	2013	2012
Investing activities		
Purchases of available for sale securities	\$(4)	\$(4)
Proceeds from sales of available for sale securities	5,343	525
Return of capital on available for sale securities	611	571
Net cash provided by investing activities	5,950	1,092
Financing activities		
Contributions from redeemable noncontrolling interests	1,219	10,640
Redemptions of redeemable noncontrolling interests	(2,298)	(3)
Proceeds from exercise of stock options	76	-
Dividends paid	(1,287)	(1,070)
Purchase of treasury stock	(1,965)	(9,971)
Net cash used in financing activities	(4,255)	(404)
Effect of exchange rates on cash and cash equivalents	18	(9)
Net increase in cash and cash equivalents	82,745	48,290
Cash and cash equivalents at beginning of period	190,608	276,340
Cash and cash equivalents at end of period	\$273,353	\$324,630
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$285	\$322
Cash paid for taxes	\$7,272	\$6,038

Non-cash activity:

- For the three months ended March 31, 2013 and March 31, 2012, the Company accrued dividends on restricted stock awards of \$0 and \$13, respectively.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Unaudited)

A. Significant Accounting Policies

Basis of Presentation

Unless we have indicated otherwise, or the context otherwise requires, references in this report to “GAMCO Investors, Inc.,” “GAMCO,” “the Company,” “GBL,” “we,” “us” and “our” or similar terms are to GAMCO Investors, Inc., its predecessor and its subsidiaries.

The unaudited interim condensed consolidated financial statements of GAMCO included herein have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP in the United States for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position, results of operations and cash flows of GAMCO for the interim periods presented and are not necessarily indicative of a full year’s results.

The condensed consolidated financial statements include the accounts of GAMCO and its subsidiaries. Intercompany accounts and transactions are eliminated.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 from which the accompanying condensed consolidated financial statements were derived.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Developments

In December 2011, the Financial Accounting Standards Board (“FASB”) issued guidance which creates new disclosure requirements about the nature of an entity’s right of offset and related arrangements associated with its financial instruments and derivative instruments. In January 2013, the FASB issued guidance which clarifies the scope of the disclosure requirements. The disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods therein, with retrospective application required. The new disclosures are designed to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under International Financial Reporting Standards. The Company adopted this guidance on January 1, 2013 and now presents the disclosures required by this guidance in Note B.

In July 2012, the FASB issued guidance allowing companies to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a company determines, on the basis of qualitative factors, that the fair value of such asset is not more likely than not impaired, it would not need to calculate the fair value of such asset. However, if a company concludes otherwise, it must calculate the fair value of

the asset, compare the value with its carrying amount and record an impairment charge, if any. To perform the qualitative assessment, a company must identify and evaluate events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted this guidance on January 1, 2013 without a material impact to the financial statements.

In February 2013, the FASB issued guidance which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (“AOCI”). The guidance is intended to help entities improve the transparency of changes in other comprehensive income (“OCI”) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. The guidance requires entities to disclose additional information about reclassification adjustments, including changes in AOCI balances by component and significant items reclassified out of AOCI. The guidance requires an entity to present information about significant items reclassified out of AOCI by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted this guidance on January 1, 2013 and now presents the disclosures required by this guidance in Note B.

B. Investment in Securities

Investments in securities at March 31, 2013, December 31, 2012 and March 31, 2012 consisted of the following:

	March 31, 2013		December 31, 2012		March 31, 2012	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(In thousands)					
Trading securities:						
Government obligations	\$49,970	\$49,990	\$42,973	\$42,989	\$48,624	\$48,630
Common stocks	119,918	139,503	125,697	138,478	156,206	170,224
Mutual funds	1,073	1,655	1,072	1,484	1,086	1,495
Other investments	315					