

PIPER JAFFRAY COMPANIES
Form 10-Q
July 31, 2013

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, 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. 001-31720

PIPER JAFFRAY COMPANIES

(Exact Name of Registrant as specified in its Charter)

DELAWARE

30-0168701

(State or Other Jurisdiction of Incorporation or
Organization)

(IRS Employer Identification No.)

800 Nicollet Mall, Suite 1000

55402

Minneapolis, Minnesota

(Address of Principal Executive Offices)

(Zip Code)

(612) 303-6000

(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. Yes No

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

As of July 26, 2013, the registrant had 16,138,831 shares of Common Stock outstanding.

Piper Jaffray Companies
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Piper Jaffray Companies

Consolidated Statements of Financial Condition

| | June 30, 2013 (Unaudited) | December 31, 2012 |
|--|---------------------------------|----------------------|
| (Amounts in thousands, except share data) | | |
| Assets | | |
| Cash and cash equivalents | \$69,274 | \$105,371 |
| Cash and cash equivalents segregated for regulatory purposes | 27,017 | 31,007 |
| Receivables: | | |
| Customers | 20,355 | 13,795 |
| Brokers, dealers and clearing organizations | 122,437 | 148,117 |
| Securities purchased under agreements to resell | 117,311 | 145,433 |
| Financial instruments and other inventory positions owned | 327,082 | 384,789 |
| Financial instruments and other inventory positions owned and pledged as collateral | 1,154,271 | 826,806 |
| Total financial instruments and other inventory positions owned | 1,481,353 | 1,211,595 |
| Fixed assets (net of accumulated depreciation and amortization of \$63,770 and \$61,032, respectively) | 13,245 | 15,089 |
| Goodwill | 196,844 | 196,844 |
| Intangible assets (net of accumulated amortization of \$27,198 and \$23,876, respectively) | 37,936 | 41,258 |
| Other receivables | 45,913 | 44,874 |
| Other assets | 144,529 | 129,697 |
| Assets held for sale | — | 4,653 |
| Total assets | \$2,276,214 | \$2,087,733 |
| Liabilities and Shareholders' Equity | | |
| Short-term financing | \$542,808 | \$477,014 |
| Variable rate senior notes | 125,000 | 125,000 |
| Payables: | | |
| Customers | 32,686 | 42,007 |
| Brokers, dealers and clearing organizations | 129,479 | 60,155 |
| Securities sold under agreements to repurchase | — | 50,000 |
| Financial instruments and other inventory positions sold, but not yet purchased | 481,940 | 357,201 |
| Accrued compensation | 58,596 | 132,124 |
| Other liabilities and accrued expenses | 37,843 | 53,193 |
| Liabilities held for sale | — | 864 |
| Total liabilities | 1,408,352 | 1,297,558 |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value: | | |
| Shares authorized: 100,000,000 at June 30, 2013 and December 31, 2012; | | |
| Shares issued: 19,537,127 at June 30, 2013 and 19,530,359 at December 31, 2012; | | |
| | 195 | 195 |

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Shares outstanding: 15,260,727 at June 30, 2013 and 15,213,796 at December 31, 2012

| | | |
|--|-------------|-------------|
| Additional paid-in capital | 739,565 | 754,566 |
| Retained earnings | 131,437 | 118,803 |
| Less common stock held in treasury, at cost: 4,276,400 shares at June 30, 2013 and 4,316,563 shares at December 31, 2012 | (141,863) | (140,939) |
| Accumulated other comprehensive income | 546 | 667 |
| Total common shareholders' equity | 729,880 | 733,292 |
| Noncontrolling interests | 137,982 | 56,883 |
| Total shareholders' equity | 867,862 | 790,175 |
| Total liabilities and shareholders' equity | \$2,276,214 | \$2,087,733 |
| See Notes to the Consolidated Financial Statements | | |

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Piper Jaffray Companies
Consolidated Statements of Operations
(Unaudited)

| (Amounts in thousands, except per share data) | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Revenues: | | | | |
| Investment banking | \$52,846 | \$49,368 | \$93,208 | \$97,453 |
| Institutional brokerage | 20,560 | 31,207 | 63,820 | 75,287 |
| Asset management | 18,031 | 16,030 | 36,242 | 32,563 |
| Interest | 14,360 | 12,139 | 27,723 | 23,285 |
| Other income | 3,310 | 979 | 6,263 | 1,007 |
| Total revenues | 109,107 | 109,723 | 227,256 | 229,595 |
| Interest expense | 9,335 | 6,625 | 17,951 | 13,059 |
| Net revenues | 99,772 | 103,098 | 209,305 | 216,536 |
| Non-interest expenses: | | | | |
| Compensation and benefits | 65,000 | 62,601 | 131,105 | 131,397 |
| Occupancy and equipment | 6,543 | 6,752 | 12,360 | 13,614 |
| Communications | 5,030 | 4,939 | 10,262 | 10,836 |
| Floor brokerage and clearance | 2,247 | 2,002 | 4,397 | 4,109 |
| Marketing and business development | 5,957 | 5,845 | 10,937 | 10,723 |
| Outside services | 8,449 | 7,225 | 15,663 | 13,063 |
| Restructuring-related expense | — | 3,642 | — | 3,642 |
| Intangible asset amortization expense | 1,661 | 1,736 | 3,322 | 3,472 |
| Other operating expenses | 1,552 | 2,701 | (242) | 4,803 |
| Total non-interest expenses | 96,439 | 97,443 | 187,804 | 195,659 |
| Income from continuing operations before income tax expense/(benefit) | 3,333 | 5,655 | 21,501 | 20,877 |
| Income tax expense/(benefit) | 1,644 | (5,699) | 7,244 | 1,854 |
| Income from continuing operations | 1,689 | 11,354 | 14,257 | 19,023 |
| Discontinued operations: | | | | |
| Loss from discontinued operations, net of tax | (1,871) | (3,934) | (2,392) | (7,237) |
| Net income/(loss) | (182) | 7,420 | 11,865 | 11,786 |
| Net income/(loss) applicable to noncontrolling interests | (2,670) | 569 | (769) | 2,006 |
| Net income applicable to Piper Jaffray Companies | \$2,488 | \$6,851 | \$12,634 | \$9,780 |

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| | | | | |
|---|----------|----------|----------|----------|
| Net income applicable to Piper Jaffray Companies' common shareholders | \$2,266 | \$5,890 | \$11,333 | \$8,344 |
| Amounts applicable to Piper Jaffray Companies | | | | |
| Net income from continuing operations | \$4,359 | \$10,785 | \$15,026 | \$17,017 |
| Net loss from discontinued operations | (1,871) | (3,934) | (2,392) | (7,237) |
| Net income applicable to Piper Jaffray Companies | \$2,488 | \$6,851 | \$12,634 | \$9,780 |
| Earnings/(loss) per basic common share | | | | |
| Income from continuing operations | \$0.25 | \$0.58 | \$0.86 | \$0.91 |
| Loss from discontinued operations | (0.11) | (0.21) | (0.14) | (0.39) |
| Earnings per basic common share | \$0.15 | \$0.37 | \$0.73 | \$0.52 |
| Earnings/(loss) per diluted common share | | | | |
| Income from continuing operations | \$0.25 | \$0.58 | \$0.86 | \$0.91 |
| Loss from discontinued operations | (0.11) | (0.21) | (0.14) | (0.39) |
| Earnings per diluted common share | \$0.15 | \$0.37 | \$0.73 | \$0.52 |
| Weighted average number of common shares outstanding | | | | |