

OPPENHEIMER HOLDINGS INC
Form 10-Q
November 06, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended September 30, 2012

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: 1-12043

OPPENHEIMER HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

98-0080034
(I.R.S. Employer
Identification No.)

125 Broad Street

New York, New York
(Address of principal executive offices)

10004
(Zip Code)

(212) 668-8000
(Registrant's telephone number, including area code)

None
(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 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by a 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 Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on October 31, 2012 was 13,515,012 and 99,680 shares, respectively.

Table of Contents

OPPENHEIMER HOLDINGS INC.

INDEX

	Page No.
PART I	
	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (unaudited)</u>
	<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011</u>
	1
	<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011</u>
	3
	<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011</u>
	4
	<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>
	5
	<u>Condensed Consolidated Statements of Changes in Equity for the nine months ended September 30, 2012 and 2011</u>
	7
	<u>Notes to Condensed Consolidated Financial Statements</u>
	8
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	47
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	64
Item 4.	<u>Controls and Procedures</u>
	64
PART II	
	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u>
	66
Item 1A.	<u>Risk Factors</u>
	74
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	74
Item 6.	<u>Exhibits</u>
	74
	<u>Signatures</u>
	75
	<u>Certifications</u>

Table of Contents**PART I FINANCIAL INFORMATION****Item. 1 Financial Statements (unaudited)**

OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(Expressed in thousands of dollars)</i>	September 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 93,184	\$ 70,329
Cash and securities segregated for regulatory and other purposes	29,142	30,086
Deposits with clearing organizations	68,919	35,816
Receivable from brokers and clearing organizations	361,589	288,113
Receivable from customers, net of allowance for credit losses of \$2,240 (\$2,548 in 2011)	785,176	837,822
Income taxes receivable	6,097	6,743
Securities purchased under agreements to resell	10,175	847,688
Securities owned, including amounts pledged of \$725,412 (\$653,651 in 2011), at fair value	1,041,590	924,541
Notes receivable, net	49,332	54,044
Office facilities, net	28,228	16,976
Intangible assets, net	32,345	35,589
Goodwill	137,889	137,889
Other	182,004	241,803
	\$ 2,825,670	\$ 3,527,439

(Continued on next page)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(Expressed in thousands of dollars)</i>	September 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Drafts payable	\$ 37,181	\$ 51,848
Bank call loans	94,600	27,500
Payable to brokers and clearing organizations	251,695	335,610
Payable to customers	550,586	479,896
Securities sold under agreements to repurchase	778,427	1,508,493
Securities sold, but not yet purchased, at fair value	102,535	69,415
Accrued compensation	124,668	144,283
Accounts payable and other liabilities	172,950	184,669
Senior secured note	195,000	195,000
Deferred income taxes, net	1,985	10,302
Excess of fair value of acquired assets over cost	7,020	7,020
	2,316,647	3,014,036
Stockholders' equity		
Share capital		
Class A non-voting common stock (2012 13,515,012 shares issued and outstanding 2011 13,572,265 shares issued and outstanding)	62,149	62,593
Class B voting common stock 99,680 shares issued and outstanding	133	133
	62,282	62,726
Contributed capital	39,177	36,832
Retained earnings	404,318	408,720
Accumulated other comprehensive income (loss)	(682)	(208)
Total Oppenheimer Holdings Inc. stockholders' equity	505,095	508,070
Non-controlling interest	3,928	5,333
	509,023	513,403
	\$ 2,825,670	\$ 3,527,439

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

<i>Expressed in thousands of dollars, except share and per share amounts</i>	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
REVENUE:				
Commissions	\$ 113,424	\$ 123,267	\$ 351,487	\$ 380,912
Principal transactions, net	14,372	8,233	40,387	32,537
Interest	14,823	15,161	42,462	43,599
Investment banking	21,589	29,199	66,647	91,357
Advisory fees	53,015	50,696	156,796	149,200
Other	14,615	5,063	45,418	31,949
	231,838	231,619	703,197	729,554
EXPENSES:				
Compensation and related expenses	151,969	148,951	461,516	479,802
Clearing and exchange fees	6,026	6,514	18,046	19,127
Communications and technology	15,880	15,138	47,346	47,146
Occupancy and equipment costs	17,526	18,977	59,279	56,047
Interest	8,842	10,230	25,864	28,673
Other	26,337	27,545	84,538	82,962
	226,580	227,355	696,589	713,757
Profit before income taxes	5,258	4,264	6,608	15,797
Income tax provision	2,234	1,805	4,092	7,139
Net profit for the period	3,024	2,459	2,516	8,658
Less net profit attributable to non-controlling interest, net of tax	702	353	2,429	1,775
Net profit attributable to Oppenheimer Holdings Inc.	\$ 2,322	\$ 2,106	\$ 87	\$ 6,883
Profit per share attributable to Oppenheimer Holdings Inc.:				
Basic	\$ 0.17	\$ 0.15	\$ 0.01	\$ 0.51
Diluted	\$ 0.16	\$ 0.15	\$ 0.01	\$ 0.49
Weighted average common shares:				
Basic	13,610,991	13,670,604	13,599,431	13,627,122
Diluted	14,161,257	13,915,897	13,937,016	13,922,637
Dividends declared per share	\$ 0.11	\$ 0.11	\$ 0.33	\$ 0.33

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

<i>Expressed in thousands of dollars</i>	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net profit for the period	\$ 3,024	\$ 2,459	\$ 2,516	\$ 8,658
Other comprehensive income:				
Currency translation adjustment	180	(1,513)	(474)	(1,394)
Change in cash flow hedges, net of tax				1,322
Comprehensive income for the period	\$ 3,204			