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PIPER JAFFRAY COMPANIES
Form 10-Q
October 28, 2016

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 September 30, 2016
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

(State or Other Jurisdiction of Incorporation or Organization)

800 Nicollet Mall, Suite 1000

Minneapolis, Minnesota

(Address of Principal Executive Offices)

30-0168701

(IRS Employer Identification No.)

55402

(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 October 19, 2016, the registrant had 15,129,897 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

	September 30, 2016	December 31, 2015
	(Unaudited)	
(Amounts in thousands, except share data)		
Assets		
Cash and cash equivalents	\$ 51,371	\$ 189,910
Cash and cash equivalents segregated for regulatory purposes	46,022	81,022
Receivables:		
Customers	87,577	41,167
Brokers, dealers and clearing organizations	169,427	147,949
Securities purchased under agreements to resell	147,475	136,983
Financial instruments and other inventory positions owned	488,427	283,579
Financial instruments and other inventory positions owned and pledged as collateral	592,060	707,355
Total financial instruments and other inventory positions owned	1,080,487	990,934
Fixed assets (net of accumulated depreciation and amortization of \$56,778 and \$51,874, respectively)	23,400	18,984
Goodwill	278,699	217,976
Intangible assets (net of accumulated amortization of \$64,203 and \$48,803, respectively)	41,781	30,530
Investments	144,542	163,861
Other assets	140,542	119,202
Total assets	\$ 2,211,323	\$ 2,138,518
Liabilities and Shareholders' Equity		
Short-term financing	\$ 425,785	\$ 446,190
Senior notes	175,000	175,000
Payables:		
Customers	50,730	37,364
Brokers, dealers and clearing organizations	201,926	48,131
Securities sold under agreements to repurchase	22,009	45,319
Financial instruments and other inventory positions sold, but not yet purchased	255,950	239,155
Accrued compensation	202,352	251,638
Other liabilities and accrued expenses	38,554	62,901
Total liabilities	1,372,306	1,305,698
Shareholders' equity:		
Common stock, \$0.01 par value:		
Shares authorized: 100,000,000 at September 30, 2016 and December 31, 2015;		
Shares issued: 19,534,376 at September 30, 2016 and 19,510,858 at December 31, 2015;		
Shares outstanding: 12,274,902 at September 30, 2016 and 13,311,016 at December 31, 2015	195	195
Additional paid-in capital	781,055	752,066
Retained earnings	294,173	279,140

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Less common stock held in treasury, at cost: 7,259,474 at September 30, 2016 and 6,199,842 shares at December 31, 2015	(288,911)	(247,553)
Accumulated other comprehensive loss	(2,032)	(189)
Total common shareholders' equity	784,480	783,659
Noncontrolling interests	54,537	49,161
Total shareholders' equity	839,017	832,820
Total liabilities and shareholders' equity	\$ 2,211,323	\$ 2,138,518
See Notes to the Consolidated Financial Statements		

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Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
(Amounts in thousands, except per share data)				
Revenues:				
Investment banking	\$ 136,682	\$ 91,640	\$ 338,034	\$ 284,786
Institutional brokerage	42,189	34,182	122,423	106,879
Asset management	15,256	18,951	43,699	58,730
Interest	7,343	9,128	24,094	32,755
Investment income	4,806	831	14,019	10,123
Total revenues	206,276	154,732	542,269	493,273
Interest expense	5,429	5,115	17,383	17,719
Net revenues	200,847	149,617	524,886	475,554
Non-interest expenses:				
Compensation and benefits	135,186	96,132	356,770	295,543
Outside services	10,288	9,316	28,923	26,385
Occupancy and equipment	8,743	7,025	25,311	20,791
Communications	7,845	6,234	22,469	17,650
Marketing and business development	7,629	6,965	23,804	21,186
Trade execution and clearance	2,008	1,982	5,686	5,956
Restructuring and integration costs	—	1,496	10,206	1,496
Intangible asset amortization expense	8,010	1,773	15,400	5,319
Other operating expenses	2,687	11,906	7,915	17,289
Total non-interest expenses	182,396	142,829	496,484	411,615
Income before income tax expense	18,451	6,788	28,402	63,939
Income tax expense	6,515	1,573	8,767	20,605
Net income	11,936	5,215	19,635	43,334
Net income applicable to noncontrolling interests	1,278	384	4,602	4,532
Net income applicable to Piper Jaffray Companies	\$ 10,658	\$ 4,831	\$ 15,033	\$ 38,802
Net income applicable to Piper Jaffray Companies' common shareholders	\$ 8,582	\$ 4,448	\$ 12,476	\$ 35,908
Earnings per common share				
Basic	\$ 0.70	\$ 0.32	\$ 0.98	\$ 2.46
Diluted	\$ 0.70	\$ 0.32	\$ 0.97	\$ 2.46

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Weighted average number of common shares outstanding

Basic	12,282	13,938	12,787	14,568
Diluted	12,298	13,952	12,801	14,594

See Notes to the Consolidated Financial Statements

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Piper Jaffray Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months		Nine Months	
	Ended		Ended	
(Amounts in thousands)	September 30,		September 30,	
	2016	2015	2016	2015
Net income	\$11,936	\$5,215	\$19,635	\$43,334
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(587)	(352)	(1,843)	(326)
Comprehensive income	11,349	4,863	17,792	43,008
Comprehensive income applicable to noncontrolling interests	1,278	384	4,602	4,532
Comprehensive income applicable to Piper Jaffray Companies	\$10,071	\$4,479		