

Evercore Partners Inc.  
Form 10-Q  
May 08, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND 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

001-32975

(Commission File Number)

**EVERCORE PARTNERS INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: Evercore Partners Inc. - Form 10-Q

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

**55 East 52<sup>nd</sup> Street**

**38th 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 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  (Do not check if a smaller reporting company)

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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of May 1, 2013 was 31,597,377. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of May 1, 2013 was 43 (excluding 57 shares of Class B common stock held by a subsidiary of the registrant).

**Table of Contents****Table of Contents**

*In this report, references to Evercore, the Company, we, us, our refer to Evercore Partners Inc., a Delaware corporation, and its consolidated subsidiaries. Unless the context otherwise requires, references to (1) Evercore Partners Inc. refer solely to Evercore Partners Inc., and not to any of its consolidated subsidiaries and (2) Evercore LP refer solely to Evercore LP, a Delaware limited partnership, and not to any of its consolidated subsidiaries. References to the IPO refer to our initial public offering on August 10, 2006 of 4,542,500 shares of our Class A common stock, including shares issued to the underwriters of the IPO pursuant to their election to exercise in full their overallotment option.*

	<b>Page</b>
<b><u>Part I. Financial Information</u></b>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
Item 4. <u>Controls and Procedures</u>	37
<b><u>Part II. Other Information</u></b>	
Item 1. <u>Legal Proceedings</u>	38
Item 1A. <u>Risk Factors</u>	38
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 3. <u>Defaults Upon Senior Securities</u>	38
Item 4. <u>Mine Safety Disclosures</u>	39
Item 5. <u>Other Information</u>	39
Item 6. <u>Exhibits</u>	40
<b><u>Signatures</u></b>	41

**Table of Contents**

**PART I. FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements (Unaudited)**

**Condensed Consolidated Financial Statements (Unaudited)**

	<b>Page</b>
<u>Condensed Consolidated Statements of Financial Condition as of March 31, 2013 and December 31, 2012</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012</u>	6
<u>Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2013 and 2012</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012</u>	8
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	9

**Table of Contents****EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(UNAUDITED)**

(dollars in thousands, except share data)

	March 31, 2013	December 31, 2012
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 137,034	\$ 259,431
Marketable Securities	34,407	36,545
Financial Instruments Owned and Pledged as Collateral at Fair Value	63,972	120,594
Securities Purchased Under Agreements to Resell	9,313	
Accounts Receivable (net of allowances of \$2,097 and \$1,949 at March 31, 2013 and December 31, 2012, respectively)	77,987	89,098
Receivable from Employees and Related Parties	10,244	5,166
Deferred Tax Assets - Current	10,919	9,214
Other Current Assets	8,559	6,699
<b>Total Current Assets</b>	<b>352,435</b>	<b>526,747</b>
Investments	107,505	110,897
Deferred Tax Assets - Non-Current	238,442	229,449
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$21,143 and \$19,880 at March 31, 2013 and December 31, 2012, respectively)	28,282	29,777
Goodwill	189,440	188,684
Intangible Assets (net of accumulated amortization of \$21,996 and \$20,002 at March 31, 2013 and December 31, 2012, respectively)	34,822	35,397
Assets Segregated for Bank Regulatory Requirements	10,200	10,200
Other Assets	15,363	14,067
<b>Total Assets</b>	<b>\$ 976,489</b>	<b>\$ 1,145,218</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Accrued Compensation and Benefits	\$ 23,209	\$ 138,187
Accounts Payable and Accrued Expenses	16,580	17,909
Securities Sold Under Agreements to Repurchase	73,325	120,787
Payable to Employees and Related Parties	15,813	12,964
Taxes Payable	6,111	20,304
Other Current Liabilities	9,934	10,755
<b>Total Current Liabilities</b>	<b>144,972</b>	<b>320,906</b>
Notes Payable	101,823	101,375
Amounts Due Pursuant to Tax Receivable Agreements	169,791	165,350
Other Long-term Liabilities	17,495	17,111
<b>Total Liabilities</b>	<b>434,081</b>	<b>604,742</b>
Commitments and Contingencies (Note 15)		
Redeemable Noncontrolling Interest	49,180	49,727
Equity		
Evercore Partners Inc. Stockholders' Equity		
Common Stock		
Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 38,049,288 and 35,040,501 issued at March 31, 2013 and December 31, 2012, respectively, and 31,804,820 and 29,576,986 outstanding at March 31, 2013 and December 31, 2012, respectively)	380	350

## Edgar Filing: Evercore Partners Inc. - Form 10-Q

Class B, par value \$0.01 per share (1,000,000 shares authorized, 42 and 43 issued and outstanding at March 31, 2013 and December 31, 2012, respectively)		
Additional Paid-In-Capital	694,570	654,275
Accumulated Other Comprehensive Income (Loss)	(9,104)	(9,086)
Retained Earnings (Deficit)	(79,755)	(77,079)
Treasury Stock at Cost (6,244,468 and 5,463,515 shares at March 31, 2013 and December 31, 2012, respectively)	(169,641)	(139,954)
Total Evercore Partners Inc. Stockholders' Equity	436,450	428,506
Noncontrolling Interest	56,778	62,243
Total Equity	493,228	490,749
Total Liabilities and Equity	\$ 976,489	\$ 1,145,218

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

(dollars and share amounts in thousands, except per share data)

	<b>For the Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Investment Banking Revenue	\$ 131,383	\$ 84,495
Investment Management Revenue	21,539	19,764
Other Revenue, Including Interest	1,793	2,296
<b>Total Revenues</b>	<b>154,715</b>	<b>106,555</b>
Interest Expense	3,293	3,757
<b>Net Revenues</b>	<b>151,422</b>	<b>102,798</b>
<b>Expenses</b>		
Employee Compensation and Benefits	102,072	80,727
Occupancy and Equipment Rental	8,759	8,245
Professional Fees	7,852	7,056
Travel and Related Expenses	7,181	6,733
Communications and Information Services	3,420	2,788
Depreciation and Amortization	3,558	5,362
Acquisition and Transition Costs	58	73
Other Operating Expenses	3,578	3,957
<b>Total Expenses</b>	<b>136,478</b>	<b>114,941</b>
<b>Income (Loss) Before Income from Equity Method Investments and Income Taxes</b>	<b>14,944</b>	<b>(12,143)</b>
Income from Equity Method Investments	756	2,385
<b>Income (Loss) Before Income Taxes</b>	<b>15,700</b>	<b>(9,758)</b>
Provision (Benefit) for Income Taxes	7,322	(4,638)
<b>Net Income (Loss)</b>	<b>8,378</b>	<b>(5,120)</b>
Net Income (Loss) Attributable to Noncontrolling Interest	2,409	(1,752)
<b>Net Income (Loss) Attributable to Evercore Partners Inc.</b>	<b>\$ 5,969</b>	<b>\$ (3,368)</b>
Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders	\$ 5,948	\$ (3,389)
<b>Weighted Average Shares of Class A Common Stock Outstanding</b>		
Basic	31,861	29,101
Diluted	37,733	29,101
<b>Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:</b>		
Basic	\$ 0.19	\$ (0.12)
Diluted	\$ 0.16	\$ (0.12)
Dividends Declared per Share of Class A Common Stock	\$ 0.22	\$ 0.20

See Notes to Unaudited Condensed Consolidated Financial Statements.



**Table of Contents**

**EVERCORE PARTNERS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(UNAUDITED)**

(dollars in thousands)

	<b>For the Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net Income (Loss)	\$ 8,378	\$ (5,120)
Other Comprehensive Income (Loss), net of tax:		
Unrealized Gain on Marketable Securities, net	457	1,039
Foreign Currency Translation Adjustment Gain (Loss), net	(481)	4,322
Other Comprehensive Income (Loss)	(24)	5,361
Comprehensive Income	8,354	241
Comprehensive Income (Loss) Attributable to Noncontrolling Interest	2,403	(142)
Comprehensive Income Attributable to Evercore Partners Inc.	\$ 5,951	\$ 383

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

## EVERCORE PARTNERS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(dollars in thousands, except share data)

	For the Three Months Ended March 31, 2013								
	Class A Common Stock		Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Dollars				Shares	Dollars		
<b>Balance at December 31, 2012</b>	35,040,501	\$ 350	\$ 654,275	\$ (9,086)	\$ (77,079)	(5,463,515)	\$ (139,954)	\$ 62,243	\$ 490,749
Net Income					5,969			2,409	8,378
Other Comprehensive Income (Loss)				(18)				(6)	(24)
Treasury Stock Purchases						(783,553)	(29,752)		(29,752)
Evercore LP Units Converted into Class A									
Common Stock	1,326,127	13	8,065					(7,294)	784
Stock-based Compensation Awards	1,682,660	17	30,153			2,600	65	5,912	36,147
Dividends and Equivalents			1,530		(8,645)				(7,115)
Noncontrolling Interest (Note 12)			547					(6,486)	(5,939)
<b>Balance at March 31, 2013</b>	38,049,288	\$ 380	\$ 694,570	\$ (9,104)	\$ (79,755)	(6,244,468)	\$ (169,641)	\$ 56,778	\$ 493,228

	For the Three Months Ended March 31, 2012								
	Class A Common Stock		Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Dollars				Shares	Dollars		
<b>Balance at December 31, 2011</b>	31,014,265	\$ 310	\$ 575,122	\$ (12,058)	\$ (76,703)	(3,072,958)	\$ (79,007)	\$ 58,162	\$ 465,826
Net Income (Loss)					(3,368)			(1,752)	(5,120)
Other Comprehensive Income				3,751				1,610	5,361
Treasury Stock Purchases						(522,508)	(14,927)		(14,927)
Evercore LP Units Converted into Class A									
Common Stock	312,477	3	1,869					(1,175)	697
Stock-based Compensation Awards	1,275,499	13	21,458					5,485	26,956
Shares Issued as Consideration for Acquisitions and Investments						39,062	1,096		1,096
Dividends and Equivalents			1,200		(7,081)				(5,881)
Noncontrolling Interest (Note 12)			402					(2,473)	(2,071)
<b>Balance at March 31, 2012</b>	32,602,241	\$ 326	\$ 600,051	\$ (8,307)	\$ (87,152)	(3,556,404)	\$ (92,838)	\$ 59,857	\$ 471,937

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

(dollars in thousands)

	<b>For the Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ 8,378	\$ (5,120)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments, Marketable Securities and Contingent Consideration	(1,477)	(2,386)
Equity Method Investments	4,660	(76)
Equity-Based and Other Deferred Compensation	32,310	29,667
Depreciation, Amortization and Accretion	4,006	5,776
Bad Debt Expense	181	453
Deferred Taxes	(4,881)	2,911
Decrease (Increase) in Operating Assets:		
Marketable Securities	11	256
Financial Instruments Owned and Pledged as Collateral at Fair Value	70,707	16,667
Securities Purchased Under Agreements to Resell	(9,085)	77
Accounts Receivable	10,835	(3,764)
Receivable from Employees and Related Parties	(5,078)	596
Other Assets	(3,348)	(6,704)
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(116,305)	(107,845)
Accounts Payable and Accrued Expenses	(1,919)	695
Securities Sold Under Agreements to Repurchase	(61,794)	(16,781)
Payables to Employees and Related Parties	2,800	(852)
Taxes Payable	(14,193)	(1,644)
Other Liabilities	(676)	(1,367)
Net Cash Provided by (Used in) Operating Activities	(84,868)	(89,441)
<b>Cash Flows From Investing Activities</b>		
Investments Purchased	(892)	(148)
Distributions of Private Equity Investments	14	906
Marketable Securities:		
Proceeds from Sales and Maturities	6,895	41,064
Purchases	(3,933)	(5,974)
Cash Acquired from Acquisitions	170	
Purchase of Furniture, Equipment and Leasehold Improvements	(471)	(6,945)
Net Cash Provided by Investing Activities	1,783	28,903
<b>Cash Flows From Financing Activities</b>		
Issuance of Noncontrolling Interests		300
Distributions to Noncontrolling Interests - Evercore LP Limited Partners	(7,260)	(2,842)
Purchase of Treasury Stock	(29,687)	(15,068)
Excess Tax Benefits Associated with Equity-Based Awards	5,453	1,104
Dividends Class A Stockholders	(7,115)	(5,881)
Other		(77)
Net Cash Provided by (Used in) Financing Activities	(38,609)	(22,464)
<b>Effect of Exchange Rate Changes on Cash</b>	(703)	1,299

Edgar Filing: Evercore Partners Inc. - Form 10-Q

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(122,397)	(81,703)
<b>Cash and Cash Equivalents-Beginning of Period</b>	259,431	182,905
<b>Cash and Cash Equivalents-End of Period</b>	\$ 137,034	\$ 101,202
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>		
Payments for Interest	\$ 4,434	\$ 4,928
Payments for Income Taxes	\$ 23,065	\$ 817
Furniture, Equipment and Leasehold Improvements Accrued	\$ 504	\$ 790