

HFF, Inc.  
Form 10-Q  
November 08, 2013  
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, 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 number: 001-33280**

**HFF, Inc.**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State of</b>	<b>51-0610340</b> <b>(I.R.S. Employer</b>
<b>Incorporation)</b>	<b>Identification No.)</b>
<b>One Oxford Centre</b> <b>301 Grant Street, Suite 600</b> <b>Pittsburgh, Pennsylvania</b> <b>(Address of Principal Executive Offices)</b>	<b>15219</b> <b>(Zip code)</b>
<b>(412) 281-8714</b>	
<b>(Registrant's telephone number, including area code)</b>	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Class A common stock, par value \$0.01 per share, of the registrant outstanding as of October 31, 2013 was 37,248,416 shares.

**Table of Contents**

**HFF, INC. AND SUBSIDIARIES**

**TABLE OF CONTENTS**

**September 30, 2013**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	4
<u>Item 1. Financial Statements</u>	4
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35
<b><u>PART II. OTHER INFORMATION</u></b>	36
<u>Item 1. Legal Proceedings</u>	36
<u>Item 1A. Risk Factors</u>	36
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3. Defaults upon Senior Securities</u>	36
<u>Item 4. Mine Safety Disclosures</u>	36
<u>Item 5. Other Information</u>	36
<u>Item 6. Exhibits</u>	36
<u>Signatures</u>	37
Certification Pursuant to Section 302	
Certification Pursuant to Section 302	
Certification Pursuant to Section 1350	

**Table of Contents****FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as outlook, believes, expects, potential, continues, may, will, should, approximately, predicts, intends, plans, estimates, anticipates or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include, but are not limited to, those described under the caption Risk Factors in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

**SPECIAL NOTE REGARDING THE REGISTRANT**

In connection with our initial public offering of our Class A common stock in February 2007, we effected a reorganization of our business, which had previously been conducted through HFF Holdings LLC ( HFF Holdings ) and certain of its wholly-owned subsidiaries, including Holliday Fenoglio Fowler, L.P. and HFF Securities L.P. (together, the Operating Partnerships ) and Holliday GP Corp. ( Holliday GP ). In the reorganization, HFF, Inc., a newly-formed Delaware corporation, purchased from HFF Holdings all of the shares of Holliday GP, which is the sole general partner of each of the Operating Partnerships, and approximately 44.7% of the partnership units in each of the Operating Partnerships (including partnership units in the Operating Partnerships held by Holliday GP) in exchange for the net proceeds from the initial public offering and one share of Class B common stock of HFF, Inc. Following this reorganization, HFF, Inc. became and continues to be a holding company holding partnership units in the Operating Partnerships and all of the outstanding shares of Holliday GP. As of August 31, 2012, HFF Holdings had exchanged all of the remaining partnership units in each of the Operating Partnerships for shares of Class A common stock of the Company pursuant to the Exchange Right (as defined in this Quarterly Report on Form 10-Q). As of August 31, 2012 and continuing through the filing date of this Quarterly Report on Form 10-Q, HFF, Inc. through its wholly-owned subsidiaries, holds 100% of the partnership units in the Operating Partnerships and is the only equity holder of the Operating Partnerships. Since all of the partnership units had been exchanged, the Class B common stock was transferred to the Company and retired on August 31, 2012 in accordance with the Company's certificate of incorporation. We refer to these transactions collectively in this Quarterly Report on Form 10-Q as the Reorganization Transactions. Unless we state otherwise, the information in this Quarterly Report on Form 10-Q gives effect to these Reorganization Transactions.

Unless the context otherwise requires, references to (1) HFF Holdings refer solely to HFF Holdings LLC, a Delaware limited liability company that was previously the holding company for our consolidated subsidiaries, and not to any of its subsidiaries, (2) HFF LP refer to Holliday Fenoglio Fowler, L.P., a Texas limited partnership, (3) HFF Securities refer to HFF Securities L.P., a Delaware limited partnership and registered broker-dealer, (4) Holliday GP refer to Holliday GP Corp., a Delaware corporation and the general partner of HFF LP and HFF Securities, (5) HoldCo LLC refer to HFF Partnership Holdings LLC, a Delaware limited liability company and a wholly-owned subsidiary of HFF, Inc., and (6) Holdings Sub refer to HFF LP Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of HFF Holdings (together, the Holdings Affiliates ). Our business operations are conducted by HFF LP and HFF Securities, which are sometimes referred to in this Quarterly Report on Form 10-Q as the Operating Partnerships. Also, except where specifically noted, references in this Quarterly Report on Form 10-Q to the Company, we or us mean HFF, Inc., a Delaware corporation and its consolidated subsidiaries, after giving effect to the Reorganization Transactions.



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

HFF, Inc.

Consolidated Balance Sheets

*(Dollars in Thousands)**(Current period unaudited)*

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 159,268	\$ 126,331
Accounts receivable	3,726	1,784
Receivable from affiliate <i>(Note 16)</i>		124
Mortgage notes receivable <i>(Note 6)</i>	6,660	261,272
Prepaid taxes	3,112	828
Prepaid expenses and other current assets	3,044	1,749
Deferred tax asset, net	3,294	4,052
Total current assets, net	179,104	396,140
Property and equipment, net <i>(Note 4)</i>	6,951	4,800
Deferred tax asset, net	158,991	165,877
Goodwill	3,712	3,712
Intangible assets, net <i>(Note 5)</i>	16,868	17,899
Other noncurrent assets	630	771
<b>Total Assets</b>	<b>\$ 366,256</b>	<b>\$ 589,199</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt <i>(Note 7)</i>	\$ 271	\$ 299
Warehouse line of credit <i>(Note 8)</i>	6,660	261,272
Accrued compensation and related taxes	45,460	35,597
Accounts payable	1,576	1,344
Payable under tax receivable agreement <i>(Note 12)</i>	10,831	9,919
Other current liabilities	8,015	9,926
Total current liabilities	72,813	318,357
Deferred rent credit	5,882	4,516
Payable under the tax receivable agreement, less current portion <i>(Note 12)</i>	134,785	145,025
Long-term debt, less current portion <i>(Note 7)</i>	217	279

Total liabilities	<b>213,697</b>	468,177
Stockholders' equity:		
Class A common stock, par value \$0.01 per share, 175,000,000 authorized; 37,498,796 and 37,221,461 shares issued, respectively; 37,248,416 and 37,063,844 shares outstanding, respectively	<b>372</b>	371
Treasury stock, 250,380 and 157,617 shares at cost, respectively	<b>(2,760)</b>	(1,055)
Additional paid-in-capital	<b>75,747</b>	71,267
Retained earnings	<b>79,200</b>	50,439
<b>Total equity</b>	<b>152,559</b>	121,022
Total liabilities and stockholders' equity	<b>\$ 366,256</b>	\$ 589,199

*See accompanying notes to the consolidated financial statements.*

**Table of Contents**

HFF, Inc.

## Consolidated Statements of Income

*(Dollars in Thousands, except per share data)**(Unaudited)*

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
<b>Revenues</b>				
Capital markets services revenue	\$ 88,546	\$ 66,944	\$ 221,509	\$ 182,394
Interest on mortgage notes receivable	299	1,543	1,619	3,866
Other	569	552	1,509	1,411
	<b>89,414</b>	69,039	<b>224,637</b>	187,671
<b>Expenses</b>				
Cost of services	49,752	40,187	131,186	110,041
Personnel	11,029	6,334	28,223	18,713
Occupancy	2,406	2,043	6,701	6,070
Travel and entertainment	2,130	1,627	6,698	5,349
Supplies, research, and printing	1,307	1,286	3,710	4,037
Insurance	490	499	1,478	1,357
Professional fees	970	913	2,902	2,886
Depreciation and amortization	1,550	1,419	5,146	4,253
Interest on warehouse line of credit	142	1,070	977	2,550
Other operating	993	1,330	3,682	3,862
	<b>70,769</b>	56,708	<b>190,703</b>	159,118
Operating income	18,645	12,331	33,934	28,553
Interest and other income, net	3,546	4,407	14,157	12,543
Interest expense	(8)	(11)	(26)	(32)
(Increase) decrease in payable under the tax receivable agreement	(701)	(1,204)	(1,040)	(1,213)
Income before income taxes	21,482	15,523	47,025	39,851
Income tax expense	8,137	5,392	18,264	15,393
Net income	13,345	10,131	28,761	24,458
Net income attributable to noncontrolling interest		47		243
Net income attributable to controlling interest	\$ 13,345	\$ 10,084	\$ 28,761	\$ 24,215
Earnings per share - Basic and Diluted				



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Income available to HFF, Inc. common stockholders - Basic	\$ 0.36	\$ 0.27	\$ 0.77	\$ 0.66
Income available to HFF, Inc. common stockholders - Diluted	\$ 0.35	\$ 0.27	\$ 0.76	\$ 0.65

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****HFF, Inc.****Consolidated Statements of Stockholders Equity***(Dollars in Thousands, except share data)**(Unaudited)*

	Common Stock		Controlling Interest Treasury Stock		Additional Paid in Capital	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount				
Stockholders equity, December 31, 2012	37,063,844	\$ 371	157,617	\$(1,055)	\$ 71,267	\$ 50,439	\$	\$ 121,022
Stock compensation and other, net					3,986			3,986
Excess tax benefits from share-based award activities					494			494
Issuance of Class A common stock, net	277,335	2						2
Repurchase of Class A common stock	(92,763)	(1)	92,763	(1,705)				(1,706)
Net income						28,761		28,761
Stockholders equity, September 30, 2013	37,248,416	\$ 372	250,380	\$(2,760)	\$ 75,747	\$ 79,200	\$	\$ 152,559

	Common Stock		Controlling Interest Treasury Stock		Additional Paid in Capital	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount				
Stockholders equity, December 31, 2011	35,983,965	\$ 360	118,357	\$(490)	\$ 64,049	\$ 62,914	\$ 3,567	\$ 130,400
Stock compensation and other, net					3,228			3,228
Issuance of Class A common stock, net (1)	1,119,139	11			2,753		(2,764)	
Repurchase of Class A common stock	(39,260)		39,260	(565)				(565)
Record the adjustment to give effect of the tax receivable agreement with HFF Holdings					857			857
Distributions							(1,046)	(1,046)

Net income						24,215	243	24,458
Stockholders' equity, September 30, 2012	37,063,844	\$ 371	157,617	\$(1,055)	\$ 70,887	\$ 87,129	\$	\$ 157,332