

HFF, Inc.  
Form 10-Q  
August 03, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 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: 001-33280

**HFF, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of Incorporation)

**51-0610340**  
(I.R.S. Employer Identification No.)

**One Oxford Centre**

**301 Grant Street, Suite 600**

**Pittsburgh, Pennsylvania**  
(Address of Principal Executive Offices)

**15219**  
(Zip code)

**(412) 281-8714**

(Registrant's telephone number, including area code)

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  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

Number of shares of Class A common stock, par value \$0.01 per share, of the registrant outstanding as of July 26, 2012 was 36,930,702 shares.

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**HFF, INC. AND SUBSIDIARIES**

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**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, seeks, approximately, predicts, intends, plans, estimates, anticipates 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. As of June 30, 2012, HFF Holdings had exchanged an additional approximately 54.9% of the 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). 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 June 30, 2012, HFF, Inc. held approximately 99.6% of the partnership units in the Operating Partnerships. HFF Holdings and HFF, Inc., through their wholly-owned subsidiaries, are the only limited partners of the Operating Partnerships. 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. 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.

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HFF, Inc.

Consolidated Balance Sheets

*(Dollars in Thousands)*

	June 30, 2012 (unaudited)	December 31, 2011 (audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 148,537	\$ 141,763
Restricted cash <i>(Note 7)</i>		80
Accounts receivable	3,164	1,411
Receivable from affiliate <i>(Note 16)</i>	33	223
Mortgage notes receivable <i>(Note 8)</i>	327,292	154,449
Prepaid taxes	1,603	79
Prepaid expenses and other current assets	3,188	2,205
Deferred tax asset, net	2,273	4,556
<b>Total current assets, net</b>	<b>486,090</b>	<b>304,766</b>
Property and equipment, net <i>(Note 4)</i>	5,350	4,315
Deferred tax asset, net	151,600	151,224
Goodwill	3,712	3,712
Intangible assets, net <i>(Note 5)</i>	14,265	13,137
Other noncurrent assets	1,149	1,297
<b>Total Assets</b>	<b>\$ 662,166</b>	<b>\$ 478,451</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt <i>(Note 7)</i>	\$ 327	\$ 269
Warehouse line of credit <i>(Note 8)</i>	327,292	154,449
Accrued compensation and related taxes	24,605	30,828
Accounts payable	827	1,670
Payable under tax receivable agreement <i>(Note 12)</i>	17,741	17,876
Other current liabilities	3,029	7,227
<b>Total current liabilities</b>	<b>373,821</b>	<b>212,319</b>
Deferred rent credit	4,711	3,508
Payable under the tax receivable agreement, less current portion <i>(Note 12)</i>	136,489	131,924
Long-term debt, less current portion <i>(Note 7)</i>	365	300
<b>Total liabilities</b>	<b>515,386</b>	<b>348,051</b>
Stockholders' equity:		
Class A common stock, par value \$0.01 per share, 175,000,000 authorized; 37,088,319 and 36,102,322 shares issued, respectively; 36,930,702 and 35,983,965 shares outstanding, respectively	369	360
Class B common stock, par value \$0.01 per share, 1 share authorized, and 1 share outstanding		

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Treasury stock, 157,617 and 118,357 shares at cost, respectively	(1,055)	(490)
Additional paid-in-capital	69,990	64,049
Retained earnings	77,045	62,914
Total parent stockholders' equity	146,349	126,833
Noncontrolling interest (Note 13)	431	3,567
Total equity	146,780	130,400
Total liabilities and stockholders' equity	\$ 662,166	\$ 478,451

*See accompanying notes to the consolidated financial statements.*

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HFF, Inc.

## Consolidated Statements of Income

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
<b>Revenues</b>				
Capital markets services revenue	\$ 64,895	\$ 72,056	\$ 115,450	\$ 112,525
Interest on mortgage notes receivable	1,332	402	2,323	1,478
Other	527	439	859	830
	<b>66,754</b>	<b>72,897</b>	<b>118,632</b>	<b>114,833</b>
<b>Expenses</b>				
Cost of services	37,487	40,111	69,854	65,521
Personnel	5,595	7,526	12,379	11,823
Occupancy	2,171	1,774	4,027	3,699
Travel and entertainment	1,950	1,661	3,722	2,968
Supplies, research, and printing	1,275	1,212	2,751	2,115
Insurance	435	410	858	812
Professional fees	982	946	1,973	1,887
Depreciation and amortization	1,318	1,032	2,834	1,987
Interest on warehouse line of credit	832	245	1,480	892
Other operating	1,243	1,230	2,532	2,068
	<b>53,288</b>	<b>56,147</b>	<b>102,410</b>	<b>93,772</b>
Operating income	13,466	16,750	16,222	21,061
Interest and other income, net	5,300	5,361	8,136	8,228
Interest expense	(12)	(7)	(21)	(17)
(Increase) decrease in payable under the tax receivable agreement			(9)	
Income before income taxes	18,754	22,104	24,328	29,272
Income tax expense	7,824	8,616	10,001	11,437
Net income	10,930	13,488	14,327	17,835
Net income attributable to noncontrolling interest	75	631	196	929
Net income attributable to controlling interest	\$ 10,855	\$ 12,857	\$ 14,131	\$ 16,906
<b>Earnings per share Basic and Diluted</b>				
Income available to HFF, Inc. common stockholders Basic	\$ 0.29	\$ 0.36	\$ 0.38	\$ 0.47
Income available to HFF, Inc. common stockholders Diluted	\$ 0.29	\$ 0.35	\$ 0.38	\$ 0.47

*See accompanying notes to the consolidated financial statements.*

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**HFF, Inc.**

Consolidated Statements of Stockholders' Equity

*(Dollars in Thousands, except share data)*

	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	\$						