

Edgar Filing: Altisource Asset Management Corp - Form 10-Q

Altisource Asset Management Corp  
Form 10-Q  
August 09, 2018

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 JUNE 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 001-36063

---

Altisource Asset Management Corporation  
(Exact name of registrant as specified in its charter)  
UNITED STATES VIRGIN ISLANDS 66-0783125  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5100 Tamarind Reef  
Christiansted, United States Virgin Islands 00820  
(Address of principal executive office)

(340) 692-1055  
(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 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   
Emerging Growth Company

Edgar Filing: Altisource Asset Management Corp - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 2, 2018, 1,613,268 shares of our common stock were outstanding (excluding 1,219,194 shares held as treasury stock).

---

Altisource Asset Management Corporation

June 30, 2018

Table of Contents

<u>Part I</u>	<u>1</u>
<u>Item 1. Financial statements (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Deficit</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's discussion and analysis of financial condition and results of operations</u>	<u>15</u>
<u>Item 3. Quantitative and qualitative disclosures about market risk</u>	<u>20</u>
<u>Item 4. Controls and procedures</u>	<u>20</u>
<u>Part II</u>	<u>22</u>
<u>Item 1. Legal proceedings</u>	<u>22</u>
<u>Item 1A. Risk factors</u>	<u>23</u>
<u>Item 4. Mine safety disclosures</u>	<u>26</u>
<u>Item 6. Exhibits</u>	<u>27</u>
<u>Signatures</u>	<u>28</u>

(table of contents)

References in this report to “we,” “our,” “us,” “AAMC” or the “Company” refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to “Front Yard” refer to Front Yard Residential Corporation, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this Quarterly Report on Form 10-Q contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts” or “potential” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Factors that may materially affect such forward-looking statements include, but are not limited to:

- our ability to implement our business strategy and the business strategy of Front Yard;
- our ability to retain Front Yard as a client;
- our ability to retain and maintain our strategic relationships;
- the ability of Front Yard to generate a return on invested capital in excess of applicable hurdle rates under our management;
- our ability to obtain additional asset management clients;
- our ability to effectively compete with our competitors;
- Front Yard's ability to complete future or pending transactions;
- the failure of our service providers to effectively perform their obligations under their agreements with us;
- our ability to integrate newly acquired rental assets into Front Yard's portfolio;
- our ability to successfully and efficiently integrate and manage Front Yard's newly acquired property manager or effectively manage the performance of Front Yard's internal property manager at the level and/or the cost that it anticipates;
- the failure of Front Yard's service providers to effectively perform their obligations under their agreements with Front Yard;
- our failure to maintain Front Yard's qualification as a REIT;
- general economic and market conditions; and
- governmental regulations, taxes and policies.

While forward-looking statements reflect our good faith beliefs, assumptions, and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see Part II, Item 1A in this Quarterly Report on Form 10-Q and “Item 1A. Risk factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

(table of contents)

## Part I

## Item 1. Financial statements (unaudited)

Altisource Asset Management Corporation  
Condensed Consolidated Balance Sheets  
(In thousands, except share and per share amounts)

	June 30, 2018 (unaudited)	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 29,266	\$ 33,349
Short-term investments	142	625
Front Yard common stock	16,927	19,266
Receivable from Front Yard	4,252	4,151
Prepaid expenses and other assets	1,371	1,022
Total current assets	51,958	58,413
Other non-current assets	1,484	1,974
Total assets	\$ 53,442	\$ 60,387
Current liabilities:		
Accrued salaries and employee benefits	\$ 3,114	\$ 5,651
Accounts payable and other accrued liabilities	713	2,085
Total liabilities	3,827	7,736
Commitments and contingencies (Note 3)	—	—
Redeemable preferred stock:		
Preferred stock, \$0.01 par value, 250,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017; redemption value \$250,000	249,649	249,546
Stockholders' deficit:		
Common stock, \$0.01 par value, 5,000,000 authorized shares; 2,832,462 and 1,613,268 shares issued and outstanding, respectively, as of June 30, 2018 and 2,815,122 and 1,599,210 shares issued and outstanding, respectively, as of December 31, 2017	28	28
Additional paid-in capital	40,387	37,765
Retained earnings	32,106	38,970
Accumulated other comprehensive loss	—	(1,330 )
Treasury stock, at cost, 1,219,194 shares as of June 30, 2018 and 1,215,912 shares as of December 31, 2017	(272,555 )	(272,328 )
Total stockholders' deficit	(200,034 )	(196,895 )
Total liabilities and equity	\$ 53,442	\$ 60,387

See accompanying notes to condensed consolidated financial statements.

(table of contents)

Altisource Asset Management Corporation  
Condensed Consolidated Statements of Operations  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Management fees from Front Yard	\$3,644	\$3,999	\$7,371	\$8,210
Conversion fees from Front Yard	53	434	116	1,038
Expense reimbursements from Front Yard	219	210	481	406
Total revenues	3,916	4,643	7,968	9,654
Expenses:				
Salaries and employee benefits	4,524	5,281	8,738	9,968
Legal and professional fees	467	336	819	1,020
General and administrative	843	726	1,790	1,883
Total expenses	5,834	6,343	11,347	12,871
Other income (loss):				
Change in fair value of Front Yard common stock	601	—	(2,339 )	—
Dividend income on Front Yard common stock	243	243	487	487
Other income	49	15	92	27
Total other income (loss)	893	258	(1,760 )	514
Loss before income taxes	(1,025 )	(1,442 )	(5,139 )	