

PICO HOLDINGS INC /NEW

Form 10-Q

May 03, 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 March 31, 2018

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 033-36383

PICO HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware 94-2723335
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

7979 Ivanhoe Avenue, Suite 300 La Jolla, California 92037
(Address of principal executive offices, including zip code)

(858) 456-6022
(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, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 ý

On April 20, 2018, the registrant had 22,520,153 shares of common stock, \$0.001 par value per share outstanding.

PICO Holdings, Inc.

Form 10-Q
For the Three Months Ended March 31, 2018

Table of Contents

	Page No.
<u>Part I: Financial Information</u>	
Item 1: <u>Condensed Consolidated Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017</u>	1
<u>Condensed Consolidated Statements of Operations and Comprehensive Income or Loss for the Three Months Ended March 31, 2018 and 2017</u>	2
<u>Condensed Consolidated Statements of Equity for the Three Months Ended March 31, 2018 and 2017</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3: <u>Quantitative and Qualitative Disclosure About Market Risk</u>	17
Item 4: <u>Controls and Procedures</u>	18
<u>Part II: Other Information</u>	
Item 1: <u>Legal Proceedings</u>	18
Item 1A: <u>Risk Factors</u>	18
Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3: <u>Defaults Upon Senior Securities</u>	25
Item 4: <u>Mine Safety Disclosures</u>	25
Item 5: <u>Other Information</u>	25
Item 6: <u>Exhibits</u>	26
<u>Signatures</u>	27

Part I: Financial Information

Item 1: Condensed Consolidated Financial Statements (Unaudited)

PICO Holdings, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets - Unaudited

(In thousands, except par value)

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$29,854	\$ 37,128
Investments (\$1,913 and \$1,902 measured at fair value at March 31, 2018 and December 31, 2017, respectively)	3,225	3,214
Real estate and tangible water assets, net	44,496	44,675
Intangible assets	126,746	126,785
Other assets	2,576	2,600
Total assets	\$206,897	\$ 214,402
Liabilities and equity		
Deferred compensation	\$4,149	\$ 4,112
Other liabilities	2,409	2,431
Accounts payable and accrued expenses	883	696
Total liabilities	7,441	7,239
Commitments and contingencies		
Preferred stock, \$0.001 par value; authorized 10,000 shares, none issued		
Common stock, \$0.001 par value; authorized 100,000 shares, 22,818 issued and 22,711 outstanding at March 31, 2018, and 23,153 issued and 23,152 outstanding at December 31, 2017	23	23
Additional paid-in capital	375,736	379,388
Accumulated deficit	(175,069)	(172,767)
Accumulated other comprehensive income	—	544
Treasury stock, at cost (common shares: 107 and 1 at March 31, 2018 and December 31, 2017, respectively)	(1,234)	(25)
Total shareholders' equity	199,456	207,163
Total liabilities and shareholders' equity	\$206,897	\$ 214,402

The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income or Loss - Unaudited

(In thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues and other income:		
Sale of real estate and water assets	\$247	\$25,097
Other income, net	97	1,096
Total revenues and other income	344	26,193
Cost of sales and expenses:		
Cost of real estate and water assets sold	219	12,532
General, administrative, and other	2,966	4,090
Depreciation and amortization	22	98
Total cost of sales and expenses	3,207	16,720
Income (loss) from continuing operations before income taxes	(2,863)	9,473
Provision for federal and state income taxes		(180)
Income (loss) from continuing operations	(2,863)	9,293
Income from discontinued operations, net of tax		3,887
Loss on sale and impairment loss on classification of assets as held-for-sale, net of tax		(7,146)
Net loss from discontinued operations, net of tax	—	(3,259)
Net income (loss)	(2,863)	6,034
Net income attributable to noncontrolling interests		(1,391)
Net income (loss) attributable to PICO Holdings, Inc.	\$(2,863)	\$4,643

The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income or Loss - Unaudited,
Continued

(In thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Other comprehensive loss:		
Net income (loss)	\$(2,863)	\$6,034
Other comprehensive income (loss), net of tax:		
Unrealized loss on securities, net of deferred income tax and reclassification adjustments	(544)	(590)
Foreign currency translation		16
Total other comprehensive loss, net of tax	(544)	(574)
Comprehensive income (loss)	(3,407)	5,460
Comprehensive income attributable to noncontrolling interests		(1,391)
Comprehensive income (loss) attributable to PICO Holdings, Inc.	\$(3,407)	\$4,069

Net income (loss) per common share – basic and diluted: