

GAMCO INVESTORS, INC. ET AL
Form 10-Q
May 12, 2008
SECURITIES & 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, 2008
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 No. 1-106

GAMCO INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

New York
(State of other jurisdiction of incorporation or organization)

13-4007862
(I.R.S. Employer Identification No.)

One Corporate Center, Rye, NY
(Address of principle executive offices)

10580-1422
(Zip Code)

(914) 921-5100
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 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 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practical date.

Class	Outstanding at April 30, 2008
Class A Common Stock, .001 par value	7,743,695
Class B Common Stock, .001 par value	20,626,644

1

INDEX

GAMCO INVESTORS, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Statements of Income:

- Three months ended March 31, 2007 and 2008

Condensed Consolidated Statements of Financial Condition:

- December 31, 2007
- March 31, 2007
- March 31, 2008

Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income:

- Three months ended March 31, 2007 and 2008

Condensed Consolidated Statements of Cash Flows:

- Three months ended March 31, 2007 and 2008

Notes to Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Including Quantitative and Qualitative Disclosure about Market Risk)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. O T H E R
INFORMATION

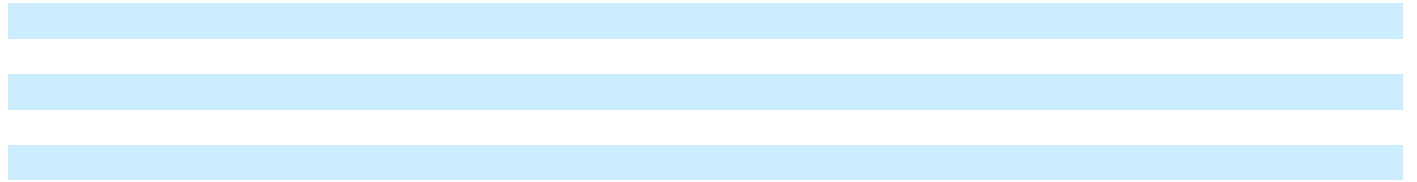
Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Item 6. Exhibits

SIGNATURES

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED
(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2007	2008
Revenues		
Investment advisory and incentive fees	\$ 56,560	\$ 56,841
Commission revenue	4,020	3,256
Distribution fees and other income	6,026	6,451
Total revenues	66,606	66,548
Expenses		
Compensation costs	28,374	28,847
Management fee	3,401	1,981
Distribution costs	5,886	6,409
Other operating expenses	8,434	6,054
Total expenses	46,095	43,291
Operating income	20,511	23,257
Other income (expense)		
Net gain (loss) from investments	5,570	(8,389)
Interest and dividend income	8,002	4,774
Interest expense	(3,380)	(2,067)
Total other income (expense), net	10,192	(5,682)
Income before income taxes and minority interest	30,703	17,575
Income tax provision	11,207	7,326
Minority interest	332	(237)
Net income	\$ 19,164	\$ 10,486
Net income per share:		
Basic	\$ 0.68	\$ 0.37
Diluted	\$ 0.67	\$ 0.37
Weighted average shares outstanding:		
Basic	28,228	28,175
Diluted	29,196	29,031
Dividends declared per share:		
Quarterly	\$ 0.03	\$ 0.03



See accompanying notes.

3

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share data)

	December 31, 2007	March 31, 2008	March 31, 2007 (A)
			(unaudited)
Cash and cash equivalents, including restricted cash of \$0, \$0 and \$3,418.	\$ 168,319	\$ 280,796	\$ 103,882
Investments in securities, including restricted securities of \$0, \$0 and \$51,461.	394,977	325,407	532,222
Investments in partnerships and affiliates	100,031	85,572	68,651
Receivable from brokers	40,145	15,186	22,794
Investment advisory fees receivable	33,701	18,862	20,375
Other assets	20,407	23,202	19,548
Total assets	\$ 757,580	\$ 749,025	\$ 767,472
LIABILITIES AND STOCKHOLDERS' EQUITY			
Payable to brokers	\$ 7,562	\$ 5,421	\$ 40,441
Income taxes payable, including deferred taxes of \$5,814, \$(924), and \$905.	17,539	12,747	7,751
Compensation payable	25,362	30,278	37,942
Capital lease obligation	2,525	2,453	2,721
Securities sold, not yet purchased	2,229	3,110	15,925
Accrued expenses and other liabilities	38,810	34,954	31,641
Total operating liabilities	94,027	88,963	136,421
Long term liabilities			
5.5% Senior notes (due May 15, 2013)	100,000	100,000	100,000
6% Convertible note (due August 14, 2011) (B)	49,608	39,706	49,537
Total liabilities	243,635	228,669	285,958
Minority interest	12,630	12,494	14,026
Stockholders' equity			
Class A Common Stock, \$0.001 par value; 100,000,000			
shares authorized; 12,574,995, 12,765,674 and 12,141,696			
issued, respectively; 7,819,741, 7,801,831 and 7,514,242			
outstanding, respectively	12	12	10

Class B Common Stock, \$0.001 par value; 100,000,000			
shares authorized; 24,000,000 shares issued, 20,626,644, 20,626,644 and 20,671,143			
shares outstanding,			
respectively	21	21	23
Additional paid-in capital	230,483	242,293	229,792
Retained earnings	445,121	454,749	415,472
Accumulated comprehensive gain	20,815	16,737	11,031
Treasury stock, at cost (4,755,254, 4,963,843, and 4,627,454			
shares, respectively)	(195,137)	(205,950)	(188,840)
Total stockholders' equity	501,315	507,862	467,488
Total liabilities and stockholders' equity	\$ 757,580	\$ 749,025	\$ 767,472

See accompanying notes.

(A) As restated to reflect the reversal of certain previously-accrued expenses for investment partnership compensation as described in Note A of this report on Form 10-Q.

(B) \$50 million outstanding on December 31, 2007 and March 31, 2007. \$40 million outstanding on March 31, 2008.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND
COMPREHENSIVE INCOME

UNAUDITED

(In thousands)

Three Months Ended

March 31,

2007

2008

Stockholders' equity – beginning of period	\$ 451,576	\$ 501,315
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Cumulative effect of applying the provisions of FIN 48 at January 1, 2007	(822)	-
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Comprehensive income:

Net income	19,164	10,486
Foreign currency translation adjustments	1	21
Net unrealized gain (loss) on securities available for sale	685	(4,100)
Total comprehensive income	19,850	6,407

Dividends declared	(846)	(857)
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Stock based compensation expense	21	1,198
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Conversion of 6% convertible note	-	10,000
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Exercise of stock options including tax benefit	72	612
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Purchase of treasury stock	(2,363)	(10,813)
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Stockholders' equity – end of period	\$ 467,488	\$ 507,862
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See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

(In thousands)

	Three Months Ended	
	March 31, 2007	2008
Operating activities		
Net income	\$ 19,164	\$ 10,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net gains from partnerships and affiliates	(2,246)	2,375
Depreciation and amortization	307	229
Stock based compensation expense	21	1,198
Deferred income tax	395	(2,815)
Tax benefit from exercise of stock options	25	43
Foreign currency loss	1	21
Other-than-temporary loss on available for sale securities	-	249
Impairment of goodwill	56	-
Acquisition of intangible asset	-	(4,043)
Market value of donated securities	122	-
Minority interest in net income of consolidated subsidiaries	275	(73)
Realized gains on sales of available for sale securities	(157)	(253)
Realized gains on sales of trading investments in securities, net	(7,415)	(3,121)
Change in unrealized value of trading investments in securities and securities sold, not yet purchased, net	2,524	7,012
Realized losses (gains) on covers of securities sold, not yet purchased, net	917	(318)
Amortization on discount on debt	33	98
(Increase) decrease in operating assets:		
Purchases of trading investments in securities	(392,800)	(109,155)
Proceeds from sales of trading investments in securities	396,399	164,837
Cost of covers on securities sold, not yet purchased	(30,745)	(10,173)
Proceeds from sales of securities sold, not yet purchased	41,578	11,495
Investments in partnerships and affiliates	(3,072)	(182)
Distributions from partnerships and affiliates	11,485	12,728
	30,193	22,609

Receivable from brokers		
Investment advisory fees receivable	10,764	14,994
Other receivables from affiliates	4,804	2,512
Other assets	(355)	(1,440)
Increase (decrease) in operating liabilities:		
Payable to brokers	2,960	(2,149)
Income taxes payable	(7,213)	1,662
Compensation payable	8,222	5,791
Accrued expenses and other liabilities	(8,652)	(4,037)
Effects of consolidation of investment partnerships and offshore funds consolidated under FIN 46R and EITF 04-5:		
Realized (losses) gains on sales of investments in securities and securities sold, not yet purchased, net	(278)	67
Change in unrealized value of investments in securities and securities sold, not yet purchased, net	200	350
Equity in net gains from partnerships and affiliates	(758)	(28)
Purchases of trading investments in securities and securities sold, not yet purchased	(14,550)	(3,218)
Proceeds from sales of trading investments in securities and securities sold, not yet purchased	12,084	4,322
Investments in partnerships and affiliates	(2,000)	-
Distributions from partnerships and affiliates	500	-
Increase in investment advisory fees receivable	(45)	(155)
Decrease in receivable from brokers	695	2,350
Increase in other assets	(58)	(52)
Increase in payable to brokers	1,135	8
Increase in accrued expenses and other liabilities	49	107
Income (loss) related to investment partnerships and offshore funds consolidated under FIN 46R and EITF 04-5, net	490	(765)
Total adjustments	55,890	113,080
Net cash provided by operating activities	75,054	123,566

GAMCO INVESTORS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 UNAUDITED
 (In thousands)

	Three Months Ended	
	March 31,	
	2007	2008
Investing activities		
Purchases of available for sale securities	(25,031)	(774)
Proceeds from sales of available for sale securities		