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Altisource Portfolio Solutions S.A.
Form 10-Q
July 21, 2016

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, 2016

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
☐ 1934

Commission File Number: 1-34354

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Exact name of Registrant as specified in its Charter)

Luxembourg 98-0554932
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

40, avenue Monterey
L-2163 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive offices) (Zip Code)

(352) 24 69 79 00
(Registrant's telephone number)

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 (as defined in Rule 12b-2 of the Exchange Act):

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 ☒

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As of July 15, 2016, there were 18,349,451 outstanding shares of the registrant's shares of beneficial interest (excluding 7,063,297 shares held as treasury stock).

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PART I. FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,486	\$ 179,327
Available for sale securities	38,087	—
Accounts receivable, net	100,165	105,023
Prepaid expenses and other current assets	27,747	21,751
Total current assets	286,485	306,101
Premises and equipment, net	114,576	119,121
Goodwill	81,406	82,801
Intangible assets, net	173,406	197,003
Deferred tax assets, net	6,917	3,619
Other assets	12,686	13,153
Total assets	\$ 675,476	\$ 721,798
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 88,748	\$ 91,871
Current portion of long-term debt	5,945	5,945
Deferred revenue	11,717	15,060
Other current liabilities	14,309	16,266
Total current liabilities	120,719	129,142
Long-term debt, less current portion	469,776	522,233
Other non-current liabilities	16,561	18,153
Commitments, contingencies and regulatory matters (Note 22)		
Equity:		
Common stock (\$1.00 par value; 25,413 shares authorized and issued and 18,350 outstanding as of June 30, 2016; 25,413 shares authorized and issued and 19,021 outstanding as of December 31, 2015)	25,413	25,413
Additional paid-in capital	99,890	96,321
Retained earnings	403,460	369,270
Accumulated other comprehensive loss	(7,172)) —
Treasury stock, at cost (7,063 shares as of June 30, 2016 and 6,392 shares as of December 31, 2015)	(454,488)) (440,026)
Altisource equity	67,103	50,978

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Non-controlling interests	1,317	1,292
Total equity	68,420	52,270
 Total liabilities and equity	 \$675,476	 \$ 721,798

See accompanying notes to condensed consolidated financial statements.

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ALTISOURCE PORTFOLIO SOLUTIONS S.A.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue	\$255,799	\$268,321	\$505,931	\$508,803
Cost of revenue	174,371	168,159	343,234	340,985
Gross profit	81,428	100,162	162,697	167,818
Selling, general and administrative expenses	54,207	51,566	107,823	103,972
Change in the fair value of Equator Earn Out	—	(7,591)	—	(7,591)
Income from operations	27,221	56,187	54,874	71,437
Other income (expense), net:				
Interest expense	(5,988)	(7,195)	(12,529)	(14,355)
Gain (loss) on HLSS equity securities and dividends received	—	1,431	—	(1,854)
Other income (expense), net	2,744	821	2,717	824
Total other income (expense), net	(3,244)	(4,943)	(9,812)	(15,385)
Income before income taxes and non-controlling interests	23,977	51,244	45,062	56,052
Income tax provision	(3,291)	(4,398)	(5,484)	(4,798)
Net income	20,686	46,846	39,578	51,254
Net income attributable to non-controlling interests	(692)	(896)	(1,090)	(1,606)
Net income attributable to Altisource	\$19,994	\$45,950	\$38,488	\$49,648
Earnings per share:				
Basic	\$1.08	\$2.35	\$2.06	\$2.50
Diluted	\$1.02	\$2.22	\$1.94	\$2.38
Weighted average shares outstanding:				
Basic	18,437	19,571	18,646	19,870
Diluted	19,604	20,669	19,822	20,830
Comprehensive income:				
Net income	\$20,686	\$46,846	\$39,578	\$51,254
Other comprehensive income (loss), net of tax:				
Unrealized loss on securities, net of income tax benefit of \$3,249, \$0, \$2,960, \$0	(7,871)	—	(7,172)	—
Comprehensive income, net of tax	12,815	46,846	32,406	51,254
Comprehensive income attributable to non-controlling interests	(692)	(896)	(1,090)	(1,606)
Comprehensive income attributable to Altisource	\$12,123	\$45,950	\$31,316	\$49,648

See accompanying notes to condensed consolidated financial statements.

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ALTISOURCE PORTFOLIO SOLUTIONS S.A.
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
 (in thousands)

	Altisource Equity						Non-controlling interests	Total
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock, at cost			
	Shares							
Balance, December 31, 2014	25,413	\$25,413	\$ 91,509	\$367,967	\$ —	\$(444,495)	\$ 1,049	\$41,443
Net income	—	—	—	49,648	—	—	1,606	51,254
Distributions to non-controlling interest holders	—	—	—	—	—	—	(1,347)	(1,347)
Share-based compensation expense	—	—	1,315	—	—	—	—	1,315
Exercise of stock options	—	—	—	(1,701)	—	1,904	—	—