

INTERNATIONAL ASSETS HOLDING CORP
Form 10-Q
February 11, 2008
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UNITED STATES
SECURITIES AND 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 December 31, 2007

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 000-23554

INTERNATIONAL ASSETS HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

59-2921318
(I.R.S. Employer Identification No.)

220 East Central Parkway, Suite 2060

Altamonte Springs, Florida 32701

(Address of principal executive offices) (Zip Code)

(407) 741-5300

(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 February 7, 2008, there were 8,403,208 shares of the registrant's common stock outstanding.

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INTERNATIONAL ASSETS HOLDING CORPORATION

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Table of Contents**INTERNATIONAL ASSETS HOLDING CORPORATION****Condensed Consolidated Balance Sheets****(In thousands, except par value and share amounts)**

	December 31, 2007 (Unaudited)	September 30, 2007
ASSETS		
Cash	\$ 39,242	\$ 36,017
Cash and cash equivalents deposited with brokers, dealers and clearing organization	17,984	17,662
Receivable from brokers, dealers and clearing organization	23,458	31,471
Receivable from customers	44,666	40,367
Financial instruments owned, at fair value	137,515	146,951
Physical commodities inventory, at cost	49,171	39,433
Trust certificates, at fair value		11,217
Prepaid income taxes	51	1,123
Investment in managed funds, at fair value	16,709	16,260
Deferred income tax asset, net	135	5,603
Fixed assets and leasehold improvements, net	2,510	2,441
Intangible assets, net	774	817
Goodwill	8,296	7,339
Debt issuance costs, net	1,109	1,183
Other assets	9,264	3,323
Total assets	\$ 350,884	\$ 361,207
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,949	\$ 5,173
Financial instruments sold, not yet purchased, at fair value	110,436	163,763
Payable to lenders under loans and overdrafts	109,963	85,094
Payable to brokers, dealers and clearing organization	15,557	14,516
Payable to customers	20,829	18,319
Accrued compensation and benefits	6,372	7,250
Income taxes payable	4,030	2,986
Deferred acquisition consideration payable	957	
Other long-term liabilities	562	549
	271,655	297,650
Convertible subordinated notes payable, net	24,921	24,911
Total liabilities	296,576	322,561
Commitments and contingencies (see Note 11)		
Minority owners interest in consolidated entities	4,392	3,065
Stockholders equity:		
Preferred stock, \$.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding		
Common stock, \$.01 par value. Authorized 17,000,000 shares; issued and outstanding 8,329,088 shares at December 31, 2007 and 8,253,508 shares at September 30, 2007	83	83
Additional paid-in capital	38,036	36,619
Retained (deficit) earnings	11,834	(1,084)

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Accumulated other comprehensive income	(37)	(37)
Total stockholders' equity	49,916	35,581
Total liabilities and stockholders' equity	\$ 350,884	\$ 361,207

See accompanying notes to condensed consolidated financial statements.

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Table of Contents**INTERNATIONAL ASSETS HOLDING CORPORATION****Condensed Consolidated Statements of Operations****(In thousands, except per share amounts)***(Unaudited)*

	Three Months Ended	
	December 31,	December 31,
	2007	2006
Revenues:		
Sales of physical commodities	\$ 2,123,819	\$ 476,046
Net dealer inventory and investment gains	30,254	2,033
Asset management fees	4,677	1,183
Other	1,880	395
Total revenues	2,160,630	479,657
Cost of sales of physical commodities	2,118,562	470,478
Operating revenues	42,068	9,179
Interest expense	3,011	1,490
Net revenues	39,057	7,689
Non-interest expenses:		
Compensation and benefits	10,758	6,346
Clearing and related expenses	3,756	2,105
Occupancy and equipment rental	408	203
Professional fees	618	272
Depreciation and amortization	257	113
Business development	661	284
Insurance	92	66
Other	588	357
Total non-interest expenses	17,138	9,746
Income (loss) before income tax and minority interest	21,919	(2,057)
Income tax expense (benefit)	8,163	(752)
Income (loss) before minority interest	13,756	(1,305)
Minority interest in income of consolidated entities	838	192
Net income (loss)	\$ 12,918	\$ (1,497)
Earnings (loss) per share:		
Basic	\$ 1.56	\$ (0.19)
Diluted	\$ 1.35	\$ (0.19)
Weighted average number of common shares outstanding:		
Basic	8,289	7,877

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Diluted	9,857	7,877
Net income (loss)	\$ 12,918	\$ (1,497)
Other comprehensive income		
Total comprehensive income (loss)	\$ 12,918	\$ (1,497)

See accompanying notes to condensed consolidated financial statements.

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Table of Contents**INTERNATIONAL ASSETS HOLDING CORPORATION****Condensed Consolidated Statements of Cash Flows****(In thousands)***(Unaudited)*

	Three Months Ended	
	December 31,	December 31,
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ 12,918	\$ (1,497)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	257	113
Deferred income taxes	5,160	(1,382)
Amortization of debt issuance costs and debt discount	84	94
Convertible debt interest settled in company stock upon partial conversion		29
Minority interest	1,635	242
Amortization of stock-based compensation expense	268	151
Unrealized investment gain from INTL Consilium managed funds	(449)	(206)
Changes in operating assets and liabilities:		
Receivable from brokers, dealers and clearing organization	8,013	(5,840)
Receivable from customers	(14,996)	(8,449)
Financial instruments owned, at fair value	9,436	7,716
Physical commodities inventory, at cost	(9,738)	(8,116)
Prepaid income taxes	1,072	(693)
Other assets	(5,941)	(421)
Accounts payable and accrued expenses	(2,224)	201
Financial instruments sold, not yet purchased, at fair value	(31,413)	(25,783)
Payable to brokers, dealers and clearing organization	1,041	3,428
Payable to customers	2,510	(952)
Accrued compensation and benefits	(878)	(1,057)
Income taxes payable	1,044	(242)
Other liabilities	13	(69)
Net cash used in operating activities	(22,188)	(42,733)
Cash flows from investing activities:		
Payments related to acquisition of INTL Global Currencies		(400)
Investment in managed funds		(3,500)
Purchase of fixed assets, leasehold improvements	(283)	(57)
Net cash used in investing activities	(283)	(3,957)
Cash flows from financing activities:		
Payable to lenders under loans and overdrafts	24,869	32,054
Exercise of stock options	317	187
Income tax benefit on stock awards exercised	832	784
Net cash provided by financing activities	26,018	33,025
Effect of foreign exchange translation		

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Net increase (decrease) in cash and cash equivalents	3,547	(13,665)
Cash and cash equivalents at beginning of period	53,679	38,029
Cash and cash equivalents at end of period	\$ 57,226	\$ 24,364
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,971	\$ 890
Income taxes paid	\$ 659	\$ 731
Supplemental disclosure of non-cash investing and financing activities:		
Additional goodwill in connection with acquisition	\$ 957	\$ 10
Conversion of subordinated notes to common stock, net of debt issuance costs of \$112	\$	\$ 1,888
Release of trust certificates	\$ 11,217	\$

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation and Consolidation and Recent Accounting Pronouncements

International Assets Holding Corporation and its subsidiaries (collectively "INTL" or "the Company") form a financial services group focused on select international markets. We commit our capital and expertise to market-making and dealing in financial instruments, currencies and commodities, and to asset management. The Company's activities are divided into five functional areas - international equities market-making, international debt capital markets, foreign exchange trading, commodities trading and asset management.

Basis of Presentation