

Altisource Portfolio Solutions S.A.
Form 10-Q
April 25, 2019

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, 2019

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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.

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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 April 19, 2019, there were 16,278,696 outstanding shares of the registrant's shares of beneficial interest (excluding 9,134,052 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)

| | March 31, 2019 | December 31, 2018 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$51,509 | \$ 58,294 |
| Investment in equity securities | 38,419 | 36,181 |
| Accounts receivable, net | 28,634 | 36,466 |
| Short-term investments in real estate | 40,274 | 39,873 |
| Assets held for sale (Note 3) | 26,557 | — |
| Prepaid expenses and other current assets | 29,292 | 30,720 |
| Total current assets | 214,685 | 201,534 |
| Premises and equipment, net (Notes 1 and 8) | 74,991 | 45,631 |
| Goodwill | 79,009 | 81,387 |
| Intangible assets, net | 72,160 | 91,653 |
| Deferred tax assets, net | 308,509 | 309,089 |
| Other assets | 10,194 | 12,406 |
| Total assets | \$759,548 | \$ 741,700 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$64,538 | \$ 87,240 |
| Current portion of long-term debt | 9,222 | — |
| Deferred revenue | 7,597 | 10,108 |
| Liabilities held for sale (Note 3) | 8,736 | — |
| Other current liabilities (Notes 1 and 11) | 20,743 | 7,030 |
| Total current liabilities | 110,836 | 104,378 |
| Long-term debt, less current portion | 322,577 | 331,476 |
| Other non-current liabilities (Notes 1 and 13) | 30,767 | 9,178 |
| Commitments, contingencies and regulatory matters (Note 22) | | |
| Equity: | | |
| Common stock (\$1.00 par value; 100,000 shares authorized, 25,413 issued and 16,309 outstanding as of March 31, 2019; 16,276 outstanding as of December 31, 2018) | 25,413 | 25,413 |
| Additional paid-in capital | 125,288 | 122,667 |
| Retained earnings | 584,759 | 590,655 |
| Treasury stock, at cost (9,104 shares as of March 31, 2019 and 9,137 shares as of December 31, 2018) | (441,149) | (443,304) |

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| | | |
|------------------------------|-----------|------------|
| Altisource equity | 294,311 | 295,431 |
| Non-controlling interests | 1,057 | 1,237 |
| Total equity | 295,368 | 296,668 |
| Total liabilities and equity | \$759,548 | \$ 741,700 |

See accompanying notes to condensed consolidated financial statements.

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ALTISOURCE PORTFOLIO SOLUTIONS S.A.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
 (in thousands, except per share data)

| | Three months ended | |
|--|--------------------|------------|
| | March 31, | |
| | 2019 | 2018 |
| Revenue | \$ 169,935 | \$ 197,438 |
| Cost of revenue | 124,104 | 147,194 |
| Gross profit | 45,831 | 50,244 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 41,240 | 43,124 |
| Restructuring charges (Note 21) | 4,420 | — |
| Income from operations | 171 | 7,120 |
| Other income (expense), net: | | |
| Interest expense | (6,749) | (5,863) |
| Unrealized gain (loss) on investment in equity securities (Note 4) | 2,238 | (7,501) |
| Other income (expense), net | 374 | |