

S&T BANCORP INC
Form 10-Q
August 02, 2017

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 2017

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 0-12508

S&T BANCORP, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania 25-1434426
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

800 Philadelphia Street, Indiana, PA 15701
(Address of principal executive offices) (zip code)

800-325-2265
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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 (Section 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 the 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 (Do not check if a smaller reporting company) 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$2.50 Par Value - 34,979,557 shares as of July 31, 2017

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

INDEX

S&T BANCORP, INC. AND SUBSIDIARIES

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets - June 30, 2017 and December 31, 2016 2

Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2017 and 2016 3

Consolidated Statements of Changes in Shareholders' Equity - Six Months Ended June 30, 2017 and 2016 4

Consolidated Statements of Cash Flows - Six Months Ended June 30, 2017 and 2016 5

Notes to Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 39

Item 3. Quantitative and Qualitative Disclosures about Market Risk 56

Item 4. Controls and Procedures 58

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 59

Item 1A. Risk Factors 59

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 59

Item 3. Defaults Upon Senior Securities 59

Item 4. Mine Safety Disclosures 59

Item 5. Other Information 59

Item 6. Exhibits 59

Signatures 60

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
(dollars in thousands, except per share data)		
ASSETS		
Cash and due from banks, including interest-bearing deposits of \$66,764 and \$87,201 at June 30, 2017 and December 31, 2016	\$ 125,863	\$ 139,486
Securities available-for-sale, at fair value	689,388	693,487
Loans held for sale	23,120	3,793
Portfolio loans, net of unearned income	5,757,819	5,611,419
Allowance for loan losses	(55,351)	(52,775)
Portfolio loans, net	5,702,468	5,558,644
Bank owned life insurance	72,449	72,081
Premises and equipment, net	45,019	44,999
Federal Home Loan Bank and other restricted stock, at cost	33,417	31,817
Goodwill	291,670	291,670
Other intangible assets, net	4,191	4,910
Other assets	98,581	102,166
Total Assets	\$7,086,166	\$ 6,943,053
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 1,335,768	\$ 1,263,833
Interest-bearing demand	636,904	638,300
Money market	950,619	936,461
Savings	1,010,348	1,050,131
Certificates of deposit	1,476,223	1,383,652
Total Deposits	5,409,862	5,272,377
Securities sold under repurchase agreements	46,489	50,832
Short-term borrowings	645,000	660,000
Long-term borrowings	13,518	14,713
Junior subordinated debt securities	45,619	45,619
Other liabilities	54,616	57,556
Total Liabilities	6,215,104	6,101,097
SHAREHOLDERS' EQUITY		
Common stock (\$2.50 par value)		
Authorized—50,000,000 shares		
Issued—36,130,480 shares at June 30, 2017 and December 31, 2016	90,326	90,326
Outstanding— 34,980,280 shares at June 30, 2017 and 34,913,023 shares at December 31, 2016		
Additional paid-in capital	214,941	213,098
Retained earnings	610,504	585,891
Accumulated other comprehensive (loss) income	(12,858)	(13,784)
Treasury stock (1,150,200 shares at June 30, 2017 and 1,217,457 shares at December 31, 2016, at cost)	(31,851)	(33,575)

Edgar Filing: S&T BANCORP INC - Form 10-Q

Total Shareholders' Equity	871,062	841,956
Total Liabilities and Shareholders' Equity	\$7,086,166	\$6,943,053
See Notes to Consolidated Financial Statements		

2

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(dollars in thousands, except per share data)	Three Months Ended June 30,						Six Months Ended June 30,		
	2017			2016			2017		
INTEREST INCOME									
Loans, including fees	\$	60,558		\$	52,019		\$	117,458	
Investment Securities:									
Taxable		2,947			2,580			5,796	
Tax-exempt		928			915			1,848	
Dividends		481			336			963	
Total Interest Income		64,914			55,850			126,065	
INTEREST EXPENSE									
						2,467.7	15.3%		8,102.96
Subscription and Usage		1,373.0	1,260.1	9.0%	1,167.3	17.6%	3,856.6	3,490.6	10.5%
Network usage		1,251.9	1,186.8	5.5%	1,149.5	8.9%	3,623.3	2,947.3	22.9%
Other services		220.9	200.9	10.0%	150.9	46.4%	623.0	475.6	31.0%
Net handset revenues		402.7	373.2	7.9%	357.2	12.7%	1,017.4	1,086.7	-6.4%
Operating Costs		(2,415.2)	(2,386.8)	1.2%	(2,109.3)	14.5%	(6,895.8)	(6,261.2)	10.1%
Personnel		(151.3)	(165.0)	-8.3%	(150.9)	0.3%	(490.0)	(461.9)	6.1%
Cost of services rendered		(780.0)	(758.6)	2.8%	(664.3)	17.4%	(2,255.0)	(1,516.5)	48.7%
Leased lines		(56.7)	(58.3)	-2.7%	(59.0)	-3.9%	(168.7)	(175.4)	-3.8%
Interconnection		(412.2)	(388.1)	6.2%	(322.5)	27.8%	(1,165.3)	(399.5)	191.7%
Rent/Insurance/Condominium fees		(60.7)	(54.9)	10.6%	(53.1)	14.3%	(164.9)	(154.7)	6.6%
Fistel and other taxes and contributions		(124.3)	(120.0)	3.6%	(125.7)	-1.1%	(371.2)	(393.9)	-5.8%
Third-party services		(108.9)	(116.3)	-6.4%	(96.4)	13.0%	(322.5)	(279.3)	15.5%
Others		(17.2)	(21.0)	-18.1%	(7.6)	126.3%	(62.4)	(113.7)	-45.1%
Cost of handsets		(585.0)	(548.5)	6.7%	(511.9)	14.3%	(1,485.0)	(1,491.3)	-0.4%
Selling expenses		(728.8)	(728.3)	0.1%	(697.4)	4.5%	(2,076.4)	(2,411.1)	-13.9%
Provision for bad debt		(80.4)	(101.2)	-20.6%	(147.8)	-45.6%	(289.0)	(647.5)	-55.4%
Third-party services		(614.4)	(596.7)	3.0%	(520.3)	18.1%	(1,689.3)	(1,659.7)	1.8%
Others		(34.0)	(30.4)	11.8%	(29.3)	16.0%	(98.1)	(103.9)	-5.6%
General & administrative expenses		(159.3)	(161.6)	-1.4%	(112.7)	41.3%	(466.7)	(387.2)	20.5%
Third-party services		(131.3)	(137.9)	-4.8%	(86.6)	51.6%	(388.8)	(303.7)	28.0%
Others		(28.0)	(23.7)	18.1%	(26.1)	7.3%	(77.9)	(83.5)	-6.7%
Other operating revenue (expenses)		(10.8)	(24.8)	-56.5%	27.9	n.a.	(122.7)	6.8	n.a.
Operating revenue		105.6	80.0	32.0%	155.6	-32.1%	250.1	286.2	-12.6%
Operating expenses		(116.7)	(105.1)	11.0%	(131.3)	-11.1%	(365.6)	(274.4)	33.2%
Other operating revenue (expenses)		0.3	0.3	0.0%	3.6	-91.7%	(7.2)	(5.0)	44.0%

Edgar Filing: S&T BANCORP INC - Form 10-Q

EBITDA	833.3	634.2	31.4%	715.6	16.4%	2,224.5	1,739.0	27.9%
Margin %	25.7%	21.0%	4.7 p.p.	25.3%	0.3 p.p.	24.4%	21.7%	2.7 p.p.
Depreciation and Amortization	(591.1)	(602.2)	-1.8%	(636.3)	-7.1%	(1,764.3)	(1,834.2)	-3.8%
EBIT	242.2	32.0	656.9%	79.3	205.4%	460.2	(95.2)	n.a.
Net Financial Income	(113.8)	(124.4)	-8.5%	(201.6)	-43.6%	(356.9)	(601.4)	-40.7%
Financial Revenues	50.8	38.8	30.9%	40.5	25.4%	147.8	218.0	-32.2%
Other financial revenues	50.8	38.8	30.9%	40.5	25.4%	147.8	218.0	-32.2%
(-) Pis/Cofins taxes on financial revenues	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Financial Expenses	(160.8)	(162.4)	-1.0%	(234.5)	-31.4%	(508.6)	(805.8)	-36.9%
Other financial expenses	(120.0)	(101.9)	17.8%	(141.4)	-15.1%	(331.7)	(461.5)	-28.1%
Gains (Losses) with derivatives transactions	(40.8)	(60.5)	-32.6%	(93.1)	-56.2%	(176.9)	(344.3)	-48.6%
Exchange rate variation / Monetary variation	(3.8)	(0.8)	375.0%	(7.6)	-50.0%	3.9	(13.6)	n.a.
Non-operating revenue/expenses	(0.2)	(6.3)	n.a.	(4.7)	-95.7%	(7.4)	(10.8)	-31.5%
Taxes	(123.8)	(14.1)	778.0%	(69.9)	77.1%	(223.6)	(153.9)	45.3%
Minority Interest	0.0	0.0	n.a.	0.0	n.a.	0.0	(8.0)	n.a.
Net Income	4.4	(112.8)	n.a.	(196.9)	n.a.	(127.7)	(869.3)	-85.3%

CONFERENCE CALL – 3Q07

In Portuguese

Date: November 06, 2007 (Tuesday)

Time: 09:30 a.m. (Brasília time) and 06:30 a.m. (New York time)

Telephone number: (+55 11) 2188-0188

Conference Call Code: VIVO

Webcast: www.vivo.com.br/ri

The conference call audio replay will be available at telephone number (+55 11) 2188-0188 code: VIVO or in our website.

CONFERENCE CALL – 3Q07

In English

Date: November 06, 2007 (Tuesday)

Time: 12:00 p.m. (Brasília time) and 09:00 a.m. (New York time)

Telephone number: (+1 973) 935-8893

Conference Call Code: VIVO or 9343497

Webcast: www.vivo.com.br/ir

The conference call audio replay will be available at telephone number (+1 973) 341-3080 code: 9343497 or in our website.

VIVO – Investor Relations

Ernesto Gardelliano

Carlos Raimar Schoeninger

Janaina São Felício

Av Chucri Zaidan, 860 – Morumbi – SP – 04583-110

Telephone: +55 11 7420-1172

Email: ir@vivo.com.br

Information available in the website: <http://www.vivo.com.br/ir>

This press release contains forecasts of future events. Such statements are not statements of historical fact, and merely reflect the expectations of the company's management. The terms "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "projects", "aims" and similar terms are intended to identify these statements, which obviously involve risks or uncertainties which may or may not be foreseen by the company. Accordingly, the future results of operations of the Company may differ from its current expectations, and the reader should not rely exclusively on the positions taken herein. These forecasts speak only of the date they are made, and the company does not undertake any obligation to update them in light of new information or future developments.

GLOSSARY

Financial Terms:

CAPEX – Capital Expenditure.

Current Capital (Short-term capital) = Current assets – Current liabilities.

Working capital = Current Capital – Net Debt.

Net debt = Gross debt – cash – financial investments – securities – asset from derivative transactions + liability from derivative transactions.

Net Debt / EBITDA – Index which evaluates the Company's ability to pay its debt with the generation of operating cash within a one-year period.

EBIT – Earnings before interest and taxes.

EBITDA – Earnings result before interest, taxes, depreciation and

Operating indicators:

Gross additions – Total of customers acquired in the period.

Net additions = Gross Additions – number of customers disconnected.

ARPU (Average Revenue per User) – net revenue from services per month / monthly average of customers in the period.

Postpaid ARPU – ARPU of postpaid service users.

Prepaid ARPU – ARPU of prepaid service users.

Blended ARPU – ARPU of the total customer base (contract + prepaid).

Entry Barrier – Value of the least expensive phone offered.

Customers – Number of wireless lines in service.

Churn rate = percentage of the disconnections from customer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
