

PICO HOLDINGS INC /NEW

Form 10-Q

May 10, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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 033-36383

PICO HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

California

94-2723335

(State or other jurisdiction of incorporation)

(IRS Employer Identification No.)

7979 Ivanhoe Avenue, Suite 300 La Jolla, California 92037

(Address of principal executive offices, including Zip Code)

(858) 456-6022

(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 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 (§ 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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a 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

On May 9, 2013, the registrant had 22,733,649 shares of common stock, \$0.001 par value outstanding.

PICO HOLDINGS, INC.

FORM 10-Q

For the Three Months Ended March 31, 2013

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Part I: Financial Information

Item I: Condensed Consolidated Financial Statements (Unaudited)

PICO HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
 (In thousands)

	March 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	\$62,368	\$100,115
Investments (\$48.4 million and \$48.5 million measured at fair value at March 31, 2013, and December 31, 2012, respectively)	50,450	50,524
Notes and other receivables, net	15,297	10,487
Real estate and water assets, net	361,178	342,338
Property and equipment, net	127,896	128,654
Other assets	58,703	35,056
Total assets	\$675,892	\$667,174
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$30,215	\$25,063
Deferred compensation	22,964	22,607
Debt	158,810	141,008
Total liabilities	211,989	188,678
Commitments and contingencies		
Common stock, \$0.001 par value; authorized 100,000 shares, 25,807 issued and 22,734 outstanding at March 31, 2013, and December 31, 2012.	26	26
Additional paid-in capital	527,537	526,591
Retained earnings (deficit)	(9,760)	) 5,215
Accumulated other comprehensive loss	(1,026)	) (2,014)
Treasury stock, at cost (common shares: 3,073 in 2013 and 2012)	(56,593)	) (56,593)
Total PICO Holdings, Inc. shareholders' equity	460,184	473,225
Noncontrolling interest in subsidiaries	3,719	5,271
Total shareholders' equity	463,903	478,496
Total liabilities and shareholders' equity	\$675,892	\$667,174

The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME OR
 LOSS - UNAUDITED

(In thousands, except per share data)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
REVENUES AND OTHER INCOME:		
Sale of real estate and water assets	\$11,807	\$3,544
Sale of canola oil and meal	39,556	
Sale of software	3,650	
Other income	1,795	2,141
Total revenues and other income	56,808	5,685
COST OF SALES:		
Cost of real estate and water assets sold	8,052	2,310
Cost of canola oil and meal sold	40,605	
Cost of software sold	1,301	
Total cost of sales	49,958	2,310
EXPENSES:		
Operating and other costs	20,178	8,889
Interest	1,698	1,014
Depreciation and amortization	2,533	405
Total costs and expenses	74,367	12,618
Loss from continuing operations before income taxes	(17,559	) (6,933
Benefit for federal, foreign, and state income taxes	(784	) (1,198
Loss from continuing operations	(16,775	) (5,735
Income from discontinued operations, net of income taxes		617
Net loss	(16,775	) (5,118
Loss attributable to noncontrolling interests	1,800	222
Net loss attributable to PICO Holdings, Inc.	\$(14,975	) \$(4,896

The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME OR
 LOSS - UNAUDITED, CONTINUED

(In thousands, except per share data)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	
Other Comprehensive Income:			
Net loss	\$(16,775	) \$(5,118)
Other comprehensive income, net of tax:			
Unrealized appreciation on available-for-sale securities	752	1,540	
Foreign currency translation	236	11	
Total other comprehensive income, net of tax	988	1,551	
Comprehensive loss	(15,787	) (3,567)
Comprehensive loss attributable to noncontrolling interests	1,800	222	
Comprehensive loss attributable to PICO Holdings, Inc.	\$(13,987	) \$(3,345)
Net loss per common share – basic and diluted:			
Loss from continuing operations	\$(0.66	) \$(0.24)
Income from discontinued operations		0.02	
Net loss per common share	\$(0.66	) \$(0.22)
Weighted average shares outstanding	22,734	22,723	

The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY - UNAUDITED
THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(In thousands)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Shares of Treasury Stock	Treasury Stock, at Cost	Non- controlling Interest	Total
Beginning balance, January 1, 2013	25,807	\$26	\$526,591	\$5,215	\$ (2,014)	3,073	\$(56,593)	\$ 5,271	\$478,496
Stock-based compensation expense			946						946
Changes in ownership of noncontrolling interest								248	248
Net loss				(14,975)				(1,800)	(16,775)
Unrealized appreciation on investments					752				752
Foreign currency translation					236				236
Ending balance, March 31, 2013	25,807	\$26	\$527,537	\$(9,760)	\$ (1,026)	3,073	\$(56,593)	\$ 3,719	\$463,903

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shares of Treasury Stock	Treasury Stock, at Cost	Non- controlling Interest	Total
Beginning balance, January 1, 2012	27,122	\$27	\$546,608	\$34,288	\$ (959)	4,417	\$(78,152)	\$ 7,850	\$509,662
Stock-based compensation expense			1,061						1,061
Exercise of restricted stock unit	94		(1,019)			30	(667)		(1,686)
Retirement of PICO common stock	(1,207)	(1)	(18,278)			(1,207)	18,279		—
Net loss				(4,896)				(222)	(5,118)
Unrealized appreciation on investments					1,540				1,540
					11				11

Foreign currency
translation

Ending balance, March 31, 2012	26,009	\$26	\$528,372	\$29,392	\$ 592	3,240	\$(60,540)	\$ 7,628	\$505,470
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The accompanying notes are an integral part of the condensed consolidated financial statements.

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
OPERATING ACTIVITIES:		