

Pzena Investment Management, Inc.  
Form 10-Q  
November 05, 2012

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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 September 30, 2012  
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 001-33761

PZENA INVESTMENT MANAGEMENT, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

20-8999751  
(I.R.S. Employer  
Identification No.)

120 West 45th Street

New York, New York 10036  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (212) 355-1600

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

Large accelerated filer

Accelerated filer

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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  x

As of November 5, 2012, there were 11,244,490 outstanding shares of the registrant's Class A common stock, par value \$0.01 per share.

As of November 5, 2012, there were 53,571,161 outstanding shares of the registrant's Class B common stock, par value \$0.000001 per share.

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SIGNATURES

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements provide our current expectations, or forecasts, of future events. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in Item 1A, “Risk Factors” in Part I of our Annual Report on Form 10-K for our fiscal year ended December 31, 2011. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statements to reflect circumstances or events after the date of this Quarterly Report, or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this Quarterly Report on Form 10-Q.

Forward-looking statements include, but are not limited to, statements about:

- our anticipated future results of operations and operating cash flows;
- our business strategies and investment policies;
- our financing plans and the availability of short- or long-term borrowing, or equity financing;
- our competitive position and the effects of competition on our business;
- potential growth opportunities available to us;
- the recruitment and retention of our employees;
- our expected levels of compensation for our employees;
- our potential operating performance, achievements, efficiency, and cost reduction efforts;
- our expected tax rate;
- changes in interest rates;
- our expectation with respect to the economy, capital markets, the market for asset management services, and other industry trends; and
- the impact of future legislation and regulation, and changes in existing legislation and regulation, on our business.

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The reports that we file with the SEC, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov), identify additional factors that can affect forward-looking statements.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

PZENA INVESTMENT MANAGEMENT, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(in thousands, except share and per-share amounts)

	September 30, 2012 (unaudited)	As of December 31, 2011
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 38,130	\$ 35,083
Restricted Cash	1,030	1,030
Due from Broker	3,744	457
Advisory Fees Receivable	14,586	14,717
Investments, at Fair Value	5,106	4,919
Receivable from Related Parties	162	66
Other Receivables	144	54
Prepaid Expenses and Other Assets	425	688
Deferred Tax Asset, Net of Valuation Allowance of \$60,287 and \$61,050, respectively	9,991	8,835
Property and Equipment, Net of Accumulated Depreciation of \$2,649 and \$2,516, respectively	755	829
<b>TOTAL ASSETS</b>	<b>\$ 74,073</b>	<b>\$ 66,678</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 15,371	\$ 6,062
Due to Broker	1,741	-
Liability to Selling and Converting Shareholders	11,710	11,218
Lease Liability	1,335	1,795
Deferred Compensation Liability	975	1,173
Other Liabilities	206	206
<b>TOTAL LIABILITIES</b>	<b>31,338</b>	<b>20,454</b>
<b>Equity:</b>		
Preferred Stock (Par Value \$0.01; 200,000,000 Shares Authorized; None Outstanding)	-	-
Class A Common Stock (Par Value \$0.01; 750,000,000 Shares Authorized; 11,244,490 and 10,575,089 Shares Issued and Outstanding in 2012 and 2011, respectively)	112	105
Class B Common Stock (Par Value \$0.000001; 750,000,000 Shares Authorized; 53,325,674 and 53,967,555 Shares Issued and Outstanding in 2012 and 2011, respectively)	-	-
Additional Paid-In Capital	12,277	12,000

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Retained Earnings	2,073	1,832
Total Pzena Investment Mangement, Inc.'s Equity	14,462	13,937
Non-Controlling Interests	28,273	32,287
TOTAL EQUITY	42,735	46,224
TOTAL LIABILITIES AND EQUITY	\$ 74,073	\$ 66,678

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except share and per-share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUE	\$ 18,861	\$ 19,950	\$ 56,968	\$ 64,109