

COWEN GROUP, INC.
Form 10-Q
May 02, 2016

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 March 31, 2016

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: 001-34516

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware 27-0423711

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

599 Lexington Avenue 10022
New York, New York (Zip Code)

(Address of Principal Executive Offices)

(646) 562-1000

(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. (Check one):

Non-accelerated filer

Large accelerated filer Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 29, 2016 there were 106,206,765 shares of the registrant's common stock outstanding.

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Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (including in “Management's Discussion and Analysis of Financial Condition and Results of Operations”) that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking terms such as “may,” “might,” “will,” “would,” “could,” “should,” “expect,” “plan,” “anticipate,” “believe,” “predict,” “project,” “possible,” “potential,” “intend,” “seek” or “continue,” the negative of these terms and other comparable terminology or similar expressions. In addition, our management may make forward-looking statements to analysts, representatives of the media and others. These forward-looking statements represent only the Company's beliefs regarding future events (many of which, by their nature, are inherently uncertain and beyond our control) and are predictions only, based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the risks contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 as well as Item 1A of this periodic report on Form 10-Q for the quarterly period ended March 31, 2016.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations.

Unaudited Condensed Consolidated Financial Statements are presented for the three months ended March 31, 2016 and 2015. The Consolidated Financial Statements as of December 31, 2015 were audited.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Cowen Group, Inc.

Condensed Consolidated Statements of Financial Condition

(dollars in thousands, except share and per share data)

(unaudited)

	As of March 31, 2016	As of December 31, 2015
Assets		
Cash and cash equivalents	\$67,046	\$158,485
Cash collateral pledged	10,157	10,085
Securities owned, at fair value	627,767	610,234
Receivable on derivative contracts, at fair value	45,725	39,618
Other investments	166,785	140,647
Receivable from brokers	122,542	117,757
Fees receivable, net of allowance	41,172	34,413
Due from related parties	34,395	39,659
Fixed assets, net of accumulated depreciation and amortization of \$29,457 and \$29,953, respectively	37,684	27,231
Goodwill	58,361	58,361
Intangible assets, net of accumulated amortization of \$29,438 and \$28,301, respectively	24,526	25,663
Deferred tax asset, net	146,459	143,560
Other assets	43,442	71,531
Consolidated Funds		
Cash and cash equivalents	12,348	13,934
Securities owned, at fair value	40,523	32,000
Receivable on derivative contracts, at fair value	125	—
Other investments	394,478	263,818
Other assets	1,401	663
Total Assets	\$1,874,936	\$1,787,659
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	\$412,810	\$257,159
Payable for derivative contracts, at fair value	25,134	21,183
Payable to brokers	23,837	131,789
Compensation payable	26,262	150,403
Notes payable and other debt	90,081	68,565
Convertible debt	124,251	122,401
Fees payable	1,746	5,638
Due to related parties	234	329
Accounts payable, accrued expenses and other liabilities	55,607	52,233
Consolidated Funds		
Due to related parties	1	3
Contributions received in advance	2,600	850
Securities sold, not yet purchased, at fair value	1,367	—
Payable for derivative contracts, at fair value	2	—
Payable to brokers	2,315	—
Capital withdrawals payable	—	78

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Accounts payable, accrued expenses and other liabilities	831	124
Total Liabilities	767,078	810,755
Commitments and Contingencies (Note 11)		
Redeemable non-controlling interests	324,938	186,911
Stockholders' equity		
Preferred stock, par value \$0.01 per share: 10,000,000 shares authorized, 120,750 shares issued and outstanding as of March 31, 2016 (aggregate liquidation preference of \$120,750,000) and 120,750 shares issued and outstanding as of as of December 31, 2015 (aggregate liquidation preference of \$120,750,000), respectively	1	1
Class A common stock, par value \$0.01 per share: 250,000,000 shares authorized, 142,716,734 shares issued and 106,078,205 outstanding as of March 31, 2016 and 140,120,392 shares issued and 105,604,658 outstanding as of December 31, 2015, respectively (including 497,570 restricted shares, respectively)	1,167	1,167
Class B common stock, par value \$0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—
Additional paid-in capital	908,462	902,554
(Accumulated deficit) retained earnings	18,231	23,627
Accumulated other comprehensive income (loss)	(3) —
Less: Class A common stock held in treasury, at cost, 36,638,529 and 34,515,734 shares, respectively	(144,938) (137,356)
Total Stockholders' Equity	782,920	789,993
Total Liabilities and Stockholders' Equity	\$1,874,936	\$1,787,659

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

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Cowen Group, Inc.
Condensed Consolidated Statements of Operations
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Investment banking	\$26,147	\$65,233
Brokerage	50,935	35,454
Management fees	11,030	10,384
Incentive income	1,111	2,372