

Ashford Inc
Form 10-Q
May 10, 2016

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, 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: 001-36400

ASHFORD INC.

(Exact name of registrant as specified in its charter)

Delaware 46-5292553
(State or other jurisdiction of incorporation or organization) (IRS employer identification number)

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
(Address of principal executive offices) (Zip code)

(972) 490-9600
(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 (as defined in Rule 12b-2 of the Exchange Act):

Large accelerated filer Accelerated filer
Non-accelerated filer 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

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

Common Stock, \$0.01 par value per share	2,010,067
(Class)	Outstanding at May 6, 2016

ASHFORD INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

ASHFORD INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share amounts)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 122,438	\$ 50,272
Restricted cash	12,050	5,684
Investments in securities	2,226	81,072
Prepaid expenses and other	1,858	1,909
Receivables	2,920	250
Due from Ashford Trust OP, net	7,080	5,856
Due from Ashford Prime OP	3,056	3,821
Total current assets	151,628	148,864
Investments in unconsolidated entities	500	3,335
Furniture, fixtures and equipment, net	6,579	6,550
Deferred tax asset	2,092	4,242
Other assets	4,000	4,000
Total assets	\$ 164,799	\$ 166,991
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,722	\$ 10,447
Due to affiliates	1,719	782
Liabilities associated with investments in securities	105	983
Other liabilities	12,050	5,684
Total current liabilities	20,596	17,896
Accrued expenses	165	385
Deferred income	1,643	629
Deferred compensation plan	9,593	11,205
Total liabilities	31,997	30,115
Commitments and contingencies (note 6)		
Redeemable noncontrolling interests in Ashford LLC	206	240
Redeemable noncontrolling interest in subsidiary common stock	913	—
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series A cumulative preferred stock, no shares issued and outstanding at March 31, 2016 and December 31, 2015	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,010,808 shares issued and 2,010,067 and 2,010,569 shares outstanding at March 31, 2016 and December 31, 2015, respectively	20	20
Additional paid-in capital	232,881	234,716
Accumulated deficit	(202,292)	(202,546)
Treasury stock, at cost, 741 shares and 239 shares at March 31, 2016 and December 31, 2015, respectively	(44)	(25)
Total stockholders' equity of the Company	30,565	32,165

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Noncontrolling interests in consolidated entities	101,118	104,471
Total equity	131,683	136,636
Total liabilities and equity	\$164,799	\$ 166,991

See Notes to Condensed Consolidated Financial Statements.

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ASHFORD INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

(unaudited, in thousands, except per share amounts)

	Three Months Ended March 31,	
	2016	2015
Revenue		
Advisory services	\$13,325	\$12,923
Other	84	195
Total revenue	13,409	13,118
Expenses		
Salaries and benefits	9,208	17,493
Depreciation	272	129
General and administrative	4,441	4,130
Total expenses	13,921	21,752
Operating loss	(512)	(8,634)
Realized loss on investment in unconsolidated entity	(3,601)	—
Unrealized gain on investment in unconsolidated entity	2,141	—
Interest income	13	1
Dividend income	13	6
Unrealized gain on investments	1,129	47
Realized loss on investments	(6,813)	(2)
Other expenses	(128)	—
Loss before income taxes	(7,758)	(8,582)
Income tax expense	(640)	(231)
Net loss	(8,398)	(8,813)
Loss from consolidated entities attributable to noncontrolling interests	6,548	961
Net loss attributable to redeemable noncontrolling interests in Ashford LLC	3	18
Net loss attributable to redeemable noncontrolling interest in subsidiary common stock	115	—
Net loss attributable to the Company	\$(1,732)	\$(7,834)
Comprehensive loss attributable to the Company	\$(1,732)	\$(7,834)
Loss per share – basic:		
Net loss attributable to common stockholders	\$(0.86)	\$(3.95)
Weighted average common shares outstanding – basic	2,008	1,982
Loss per share – diluted:		
Net loss attributable to common stockholders	\$(1.51)	\$(3.95)
Weighted average common shares outstanding – diluted	2,218	1,982

See Notes to Condensed Consolidated Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Noncontrolling Interests in Consolidated Entities	Total	Redeemable Noncontrolling Interests in Ashford LLC	Redeemable Noncontrolling Interest in Subsidiary Common Stock
	Shares	Amount			Shares	Amount				
Balance at January 1, 2016	2,011	\$ 20	\$ 234,716	\$(202,546)	—	\$(25)	\$ 104,471	\$ 136,636	\$ 240	\$ —
Purchase of treasury stock	—	—	—	—	(1)	(19)	—	(19)	—	—
Equity-based compensation	—	—	960	1,987	—	—	—	2,947	—	—
Excess tax deficiency on equity-based compensation	—	—	(314)	—	—	—	—	(314)	—	—
Employee advances	—	—	(111)	—	—	—	—	(111)	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	2,000	2,000	—	—
Reallocation of carrying value	—	—	(2,370)	—	—	—	1,374	(996)	—	996
Redemption of offshore fund	—	—	—	—	—	—	(179)	(179)	—	—
Redemption value adjustment	—	—	—	(1)	—	—	—	(1)	(31)	32
Net loss	—	—	—	(1,732)	—	—	(6,548)	(8,280)	(3)	(115)
Balance at March 31, 2016	2,011	\$ 20	\$ 232,881	\$(202,292)	(1)	\$(44)	\$ 101,118	\$ 131,683	\$ 206	\$ 913

See Notes to Condensed Consolidated Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash Flows from Operating Activities		
Net loss	\$(8,398)	\$(8,813)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation	272	129
Change in fair value of deferred compensation expense	(1,612)	5,256
Realized and unrealized gain/loss on investment in unconsolidated entity, net	1,460	—
Equity-based compensation	2,947	5,248
Excess tax (benefit) deficiency on equity-based compensation	314	(853)
Deferred tax expense (benefit)	1,836	(960)
Realized and unrealized (gain) loss on investments, net	5,684	(45)
Purchases of investments in securities	(57,918)	(3,895)
Sales of investments in securities	130,202	1,005
Changes in operating assets and liabilities:		
Restricted cash	(6,366)	(2,597)
Prepaid expenses and other	51	(439)
Receivables	(1,295)	(6)
Due from Ashford Trust OP, net	(1,224)	(336)
Due from Ashford Prime OP	765	(283)
Accounts payable and accrued expenses	(4,111)	(2,579)
Due to affiliates	693	(503)
Other liabilities	6,366	2,642
Deferred income	1,014	