

WINTRUST FINANCIAL CORP
Form 10-Q
May 09, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 001-35077

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: WINTRUST FINANCIAL CORP - Form 10-Q

Illinois
(State of incorporation
or organization)

36-3873352
(I.R.S. Employer
Identification No.)

727 North Bank Lane

Lake Forest, Illinois 60045

(Address of principal executive offices)

(847) 615-4096

(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 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-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 Exchange Act). Yes No

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

Common Stock no par value, 36,318,332 shares, as of April 30, 2012

Table of Contents

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	Page
ITEM 1. <u>Financial Statements.</u>	1
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	48
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	92
ITEM 4. <u>Controls and Procedures.</u>	94

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.	NA
ITEM 1A. <u>Risk Factors.</u>	94
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	94
ITEM 3. Defaults Upon Senior Securities.	NA
ITEM 4. Mine Safety Disclosures.	NA
ITEM 5. Other Information.	NA
ITEM 6. <u>Exhibits.</u>	95
<u>Signatures.</u>	96

Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS***WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CONDITION*

(In thousands, except share data)	(Unaudited) March 31, 2012	December 31, 2011	(Unaudited) March 31, 2011
Assets			
Cash and due from banks	\$ 146,014	\$ 148,012	\$ 140,919
Federal funds sold and securities purchased under resale agreements	14,588	21,692	33,575
Interest-bearing deposits with other banks (balance restricted for securitization investors of \$529,418 at March 31, 2012, \$272,592 at December 31, 2011, and \$35,630 at March 31, 2011)	900,755	749,287	946,193
Available-for-sale securities, at fair value	1,869,344	1,291,797	1,710,321
Trading account securities	1,140	2,490	2,229
Federal Home Loan Bank and Federal Reserve Bank stock	88,216	100,434	85,144
Brokerage customer receivables	31,085	27,925	25,361
Mortgage loans held-for-sale, at fair value	339,600	306,838	92,151
Mortgage loans held-for-sale, at lower of cost or market	10,728	13,686	2,335
Loans, net of unearned income, excluding covered loans	10,717,384	10,521,377	9,561,802
Covered loans	691,220	651,368	431,299
Total loans	11,408,604	11,172,745	9,993,101
Less: Allowance for loan losses	111,023	110,381	115,049
Less: Allowance for covered loan losses	17,735	12,977	4,844
Net loans (balance restricted for securitization investors of \$156,132 at March 31, 2012, \$411,532 at December 31, 2011, and \$647,793 at March 31, 2011)	11,279,846	11,049,387	9,873,208
Premises and equipment, net	434,700	431,512	369,785
FDIC indemnification asset	263,212	344,251	124,785
Accrued interest receivable and other assets	463,394	444,912	394,292
Trade date securities receivable		634,047	
Goodwill	307,295	305,468	281,940
Other intangible assets	22,101	22,070	12,056
Total assets	\$ 16,172,018	\$ 15,893,808	\$ 14,094,294
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	\$ 1,901,753	\$ 1,785,433	\$ 1,279,256
Interest bearing	10,764,100	10,521,834	9,635,913
Total deposits	12,665,853	12,307,267	10,915,169
Notes payable	52,639	52,822	1,000
Federal Home Loan Bank advances	466,391	474,481	423,500
Other borrowings	411,037	443,753	250,032
Secured borrowings - owed to securitization investors	428,000	600,000	600,000
Subordinated notes	35,000	35,000	50,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable		47	10,000

Edgar Filing: WINTRUST FINANCIAL CORP - Form 10-Q

Accrued interest payable and other liabilities	175,684	187,412	141,847
Total liabilities	14,484,097	14,350,275	12,641,041
Shareholders' Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series A - \$1,000 liquidation value; 50,000 shares issued and outstanding at March 31, 2012, December 31, 2011 and March 31, 2011	49,802	49,768	49,672
Series C - \$1,000 liquidation value; 126,500 shares issued and outstanding at March 31, 2012, and no shares issued and outstanding at December 31, 2011 and March 31, 2011	126,500		
Common stock, no par value; \$1.00 stated value; 60,000,000 shares authorized; 36,521,562 shares issued at March 31, 2012, 35,981,950 shares issued at December 31, 2011, and 34,947,251 shares issued at March 31, 2011	36,522	35,982	34,947
Surplus	1,008,326	1,001,316	967,587
Treasury stock, at cost, 232,182 shares at March 31, 2012, 3,601 shares at December 31, 2011, and 1,069 shares at March 31, 2011	(6,559)	(112)	(74)
Retained earnings	478,160	459,457	404,580
Accumulated other comprehensive loss	(4,830)	(2,878)	(3,459)
Total shareholders' equity	1,687,921	1,543,533	1,453,253
Total liabilities and shareholders' equity	\$ 16,172,018	\$ 15,893,808	\$ 14,094,294

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended March 31,	
	2012	2011
Interest income		
Interest and fees on loans	\$ 143,555	\$ 136,543
Interest bearing deposits with banks	248	936
Federal funds sold and securities purchased under resale agreements	12	32
Securities	11,847	9,540
Trading account securities	9	13
Federal Home Loan Bank and Federal Reserve Bank stock	604	550
Brokerage customer receivables	211	166
Total interest income	156,486	147,780
Interest expense		
Interest on deposits	18,030	23,956
Interest on Federal Home Loan Bank advances	3,584	3,958
Interest on notes payable and other borrowings	3,102	2,630
Interest on secured borrowings - owed to securitization investors	2,549	3,040
Interest on subordinated notes	169	212
Interest on junior subordinated debentures	3,157	4,370
Total interest expense	30,591	38,166
Net interest income	125,895	109,614
Provision for credit losses	17,400	25,344
Net interest income after provision for credit losses	108,495	84,270
Non-interest income		
Wealth management	12,401	10,236
Mortgage banking	18,534	11,631
Service charges on deposit accounts	4,208	3,311
Gains on available-for-sale securities, net	816	106
Gain on bargain purchases	840	9,838
Trading gains (losses)	146	(440)
Other	10,078	6,205
Total non-interest income	47,023	40,887
Non-interest expense		
Salaries and employee benefits	69,030	56,099
Equipment	5,400	4,264
Occupancy, net	8,062	6,505
Data processing	3,618	3,523
Advertising and marketing	2,006	1,614
Professional fees	3,604	3,546
Amortization of other intangible assets	1,049	689
FDIC insurance	3,357	4,518
OREO expenses, net	7,178	

Edgar Filing: WINTRUST FINANCIAL CORP - Form 10-Q

Cardtronics México	Currency exchange	April 2010
Oaxaca Cardtronics México	Currency exchange	April 2010
Tapachula Hertz	Car rental company	June 2009
Europcar	Car rental company	June 2009
Veracruz Hertz	Car rental company	June 2009
Europcar	Car rental company	June 2009
Avis	Car rental company	June 2009
Cardtronics México	Currency exchange	April 2010
Villahermosa Hertz	Car rental company	June 2009
Dollar	Car rental company	June 2009
Cardtronics México	Currency exchange	April 2010

Total operating costs and expenses for 2Q10 increased 11.47% year-over-year. This was primarily due to the following increases:

53.01% in administrative expenses, principally in labor costs resulting from the reassignment of employees from certain operating areas of Cancún airport to corporate in 3Q09 (the labor costs of employees assigned to corporate are charged to administrative expenses rather than cost of services);

12.58% in cost of services, mainly reflecting higher energy costs, professional fees, maintenance costs, and participacion in trade shows. These increases were partially offset by lower labor costs due to the reassignment in 3Q09 of employees from certain operating areas at Cancún airport to corporate;

40.88% in the technical assistance fee paid to ITA, reflecting the increase in EBITDA for the quarter (a factor in the calculation of the fee); and

28.03% in concession fees paid to the Mexican government, mainly due to an increase in the taxable base (a factor in the calculation of the fee).

These increases were partially offset by a 4.31% decline in depreciation and amortization resulting from the difference between new investment in fixed assets, improvements made to concession assets and the end of their useful life.

Operating margin for the quarter increased to 46.05% from 35.86% in 2Q09. This was mainly the result of the 32.52% increase in revenues, which more than offset the 12.58% increase in cost of services.

Comprehensive Financing Cost for 2Q10 increased year-over-year by Ps.33.49 million. During 2Q09, ASUR reported an exchange rate loss of Ps.24.3 million and interest income of Ps.9.3 million. During 2Q10, the Company reported an exchange rate gain of Ps.15.0 million and net interest income of Ps.3.4 million. Net interest income in 2Q10 resulted from interest income of Ps.13.0 million, accrued interest expenses of Ps.8.6 million, and a mark-to-market loss in its interest rate swap of Ps.1.0 million.

Income Taxes. Following the changes in Mexican tax law that took effect January 1, 2008, which established a new flat rate business tax (“Impuesto Empresarial a Tasa Unica”, or “IETU”) and eliminated the asset tax, the Company evaluated and reviewed its deferred assets and liabilities position under Mexican Financial Reporting Standards.

Income taxes for 2Q10 increased by 29.77%, or Ps.30.46 million year -over-year, principally due to the following factors:

During 2Q10, ASUR’s subsidiaries that pay IETU made provisional tax payments of Ps.90.1 million. Of these payments, Ps.3.0 million was recorded as an expense and Ps.87.1 million, which resulted mainly from income tax from Cancún airport during the quarter, was recorded as an asset since ASUR expects that under the current tax law it will recover or credit these taxes against future income taxes, because Cancun airport will cause income taxes in 2010

An Ps.87.8 million increase in the provision for income taxes in 2Q10, principally reflecting that, since 2010, Cancún airport pays income tax rather than IETU.

A Ps.42.4 million decline in deferred income taxes during 2Q10 as a result of the recognition of the tax loss carry-forward at Cancún airport since it began generating deferred income taxes in 2010.

Net income for 2Q10 increased 136.84% to Ps.297.09 million from Ps.125.44 million in 2Q09. Earnings per common share for the quarter were Ps.0.9903, or earnings per ADS (EPADS) of US\$0.7710 (one ADS represents ten series B common shares). This compares with earnings per share of Ps.0.4181, or EPADS of US\$0.3255, for the same period last year.

Table IV: Summary of Consolidated Results for 2Q10

	2Q09	2Q10	% Change
Total Revenues	678,374	898,978	32.52
Aeronautical Services	438,319	587,983	34.14
Non-Aeronautical Services	240,055	310,995	29.55
Commercial Revenues	204,071	267,018	30.85
Operating Profit	243,284	413,976	70.16
Operating Margin %	35.86%	46.05%	28.41
EBITDA	400,901	564,795	40.88
EBITDA Margin %	59.10%	62.83%	6.31
Net Income	125,439	297,091	136.84
Earnings per Share	0.4181	0.9903	136.84
Earnings per ADS in US\$	0.3255	0.7710	136.84

Note: U.S. dollar figures are calculated at the exchange rate of US\$1 = Ps.12.8441.

Table V: Commercial Revenues per Passenger for 2Q10

	2Q09	2Q10	% Change
Total Passengers ('000)	3,442	4,366	26.84
Total Commercial Revenues	204,071	267,018	30.85
Commercial revenues from direct operations (1)	36,466	47,790	31.05
Commercial revenues excluding direct operations	167,605	219,228	30.80
Total Commercial Revenue per Passenger			
	59.29	61.17	3.16
Commercial revenue from direct operations per passenger (1)	10.59	10.95	3.40
Commercial revenue per passenger (excluding direct operations)	48.70	50.22	3.12

Table VI: Operating Costs and Expenses for 2Q10

	2Q09	2Q10	% Change
Cost of Services	196,237	220,921	12.58
Administrative	26,196	40,082	53.01
Technical Assistance	21,100	29,726	40.88
Concession Fees	33,940	43,454	28.03

Depreciation and Amortization	157,617	150,819	(4.31)
TOTAL	435,090	485,002	11.47

Note: Figures in nominal pesos.

Consolidated Results for the First Half of 2010

Total revenues for 1H10 increased year-over-year by 12.41% to Ps.1,869.4 million. This was mainly due to the following increases:

13.28% in revenues from aeronautical services as a result of the 8.83% increase in passenger traffic during the period; and

10.78% in revenues from non-aeronautical services, principally as a result of the 10.30% rise in commercial revenues detailed below.

Commercial revenues for 1H10 rose by 10.30% year-over-year, principally as a result of revenue increases in the following areas:

7.02% in duty-free stores;

14.74% in food and beverage;

11.86% in retail operations;

68.88% in banking and currency exchange services;

17.16% in car rentals;

9.08% in other income; and

25.71% in ground transportation services.

These increases were partially offset by revenue declines in the following areas:

5.70% in parking lot fees;

9.16% in advertising; and

23.07% in teleservices.

Total operating costs and expenses for 1H10 rose 6.36%, mainly due to the following increases:

45.43% in administrative expenses, principally labor costs, resulting from the reassignment of employees from certain operating areas to corporate, and higher professional fees; and

4.88% in cost of services, mainly reflecting higher energy cost and equipment leases. These increases were partially offset by lower labor costs resulting from the reassignment of employees from certain operating areas to corporate;

13.26% in technical assistance costs, reflecting the corresponding increase in EBITDA during the period; and

14.26% in concession fees, mainly due to higher revenues.

These increases were partially offset by a 1.71% decline in depreciation and amortization resulting from the difference between new investment in fixed assets, improvements made to concession assets and the end of their useful life.

Operating margin increased to 49.23% for 1H10, from 46.34% for 1H09. This was mainly the result of a 12.41% increase in revenues.

Net income for 1H10 increased by 43.96% to Ps.672.55 million. Earnings per common share for the period were Ps.2.2418, or earnings per ADS (EPADS) of US\$1.7454 (one ADS represents ten series B common shares). This compares with Ps.1.5572, or EPADS of US\$1.2124, for the same period last year.

Table VII: Summary of Consolidated Results for 1H10
(in thousands)

	1H 09	1H 10	% Change
Total Revenues	1,663,066	1,869,404	12.41
Aeronautical Services	1,083,561	1,227,427	13.28
Non-Aeronautical Services	579,505	641,977	10.78
Commercial Revenues	502,691	554,467	10.30
Operating Profit	770,717	920,260	19.40
Operating Margin %	46.34%	49.23%	6.23
EBITDA	1,086,658	1,230,799	13.26
EBITDA Margin %	65.34%	65.84%	0.76
Net Income	467,166	672,547	43.96
Earnings per Share	1.5572	2.2418	43.96
Earnings per ADS in US\$	1.2124	1.7454	43.96

Note: U.S. dollar figures are calculated at the exchange rate of US\$1 = Ps.12.8441.

Table VIII: Commercial Revenues per Passenger for 1H10
(in thousands)

	1H 09	1H 10	% Change
Total Passengers *('000)	8,368	9,146	9.30
Total Commercial Revenues	502,691	554,467	10.30
Commercial revenues from direct operations (1)	91,235	99,200	8.73
Commercial revenues excluding direct operations	411,456	455,267	10.65
	1H 09	1H 10	% Change
Total Commercial Revenue per Passenger	60.07	60.62	0.92
Commercial revenue from direct operations	10.90	10.85	(0.46)

per passenger (1)
Commercial revenue 49.17 49.77 1.22
per passenger
(excluding direct
operations)

* For purposes of this table, approximately 129,100 and 179,500 transit and general aviation passengers are included for 1H09 and 1H10, respectively.

(1) Revenues from direct commercial operations represent only ASUR's operation of ten convenience stores as well as the direct sale of advertising space by the Company.

ASUR 2Q10, Page 8 of 15

Table IX: Operating Costs and Expenses for 1H10
(in thousands)

	1H09	1H10	% Change
Cost of Services	386,544	405,393	4.88
Administrative	54,039	78,590	45.43
Technical Assistance	57,193	64,779	13.26
Concession Fees	78,632	89,843	14.26
Depreciation and Amortization	315,941	310,539	(1.71)
TOTAL	892,349	949,144	6.36

Tariff Regulation

The Mexican Ministry of Communications and Transportation regulates the majority of ASUR's activities by setting maximum rates, which represent the maximum possible revenues allowed per traffic unit at each airport.

ASUR's regulated revenues for 2Q10 were Ps.1,331.62 million, resulting in an annual average tariff per workload unit of Ps.143.81. ASUR's regulated revenues accounted for approximately 71.23% of total income for the period.

The Mexican Ministry of Communications and Transportation reviews compliance with the maximum rates on an annual basis at the close of each year.

Balance Sheet

On June 30, 2010, Airport Facility Usage Rights and Airport Concessions represented 79.94% of the Company's total assets, with current assets representing 12.51% and other assets representing 7.55%.

Cash and marketable securities on June 30, 2010 were Ps.669.98 million, 31.17% below the Ps.973.32 million on June 30, 2009. This was mainly the result of a Ps.750.00 million cash dividend paid in 2Q10 and principal payments of Ps.309.09 million on bank loans.

Shareholder's equity at the close of 2Q10 was Ps.13,780.24 million and total liabilities were Ps.2,789.35 million, representing 83.17% and 16.83% of total assets, respectively. Total deferred liabilities represented 76.38% of the Company's total liabilities.

Total bank debt at June 30, 2010 was Ps.181.82 million, including Ps.5.8 million in accrued interest. During the quarter ASUR made principal payments of Ps.309.09 million in connection with the Ps.750 million three-year credit agreement with a group of three banks.

During August 2009 ASUR purchased a hedge against the risk of a significant increase in TIIE. The Company is hedged for 100% of the interest rate

exposure under its Ps.750 million credit agreement. The interest rate was fixed for three years at 6.37%, 6.33% and 6.21% with each of the three banks, respectively. The cost of the interest rate hedge during the quarter was Ps.1.0 million.

Capital Expenditures

During 2Q10, ASUR made investments of Ps.123.36 million as part of ASUR's ongoing plan to modernize its airports pursuant to its master development plans.

Accounting Pronouncements

In December 2009, the Mexican Council for the Investigation and Development of Financial Information Norms, or CINIF, issued a series of Financial Reporting Standards ("NIFs") and Interpretations to the Financial Reporting Standards ("INIFs") which went into effect for reporting periods starting January 1, 2010, with the exception of INIF 18 which went into effect on December 7, 2009, and NIFs B-5 and B-9, which will become effective from January 1, 2011. ASUR believes that these NIFs and INIFs will not have a significant impact on the Company's financial information with the exception of INIF 17, which addresses the accounting standards to be applied to concession contracts. ASUR is in the process of determining the applicability and impact of this INIF.

In 2009, the Mexican Council for Research and Development of Financial Reporting Standards (Consejo Mexicano de Investigación y Desarrollo de Normas de Información Financiera or CINIF) issued INIF17 "Service Concession Contracts" regarding the accounting treatment of concession contracts. As of June 30, 2010, ASUR's management is reviewing its applicability and assessing any possible effects that it may have on the Company's financial statements.

2Q10 Earnings Conference Call

Day: Friday, July 23, 2010

Time: 10:00 AM US EST; 9:00 AM Mexico City time

Dial-in number: 888-713-4217 (US & Canada) and 617-213-4869
(International & Mexico)

Access Code: 92672957

ASUR 2Q10, Page 10 of 15

Pre-registration: If you would like to pre-register for the conference call use the following link:

<https://www.theconferencingservice.com/prereg/key.process?key=PGH9H6FFV>

Pre-registering is not mandatory but is recommended as it will provide you immediate entry into the call and will facilitate the timely start of the conference. You will receive a code that allows you to enter the call directly.

Pre-registration only takes a few moments, and you may do so at any time, including up to and after call start time. To pre-register, please click the link above. Alternatively, if you would rather be placed into the call by an operator, please call at least 10 minutes prior to call start time.

Replay: Starting Friday, July 23, 2010 at 1:00 PM US ET, ending at midnight US ET on Friday, July 30, 2010. Dial-in number: 888-286-8010 (US & Canada); 617-801-6888 (International & Mexico). Access Code: 66284306.

About ASUR:

Grupo Aeroportuario del Sureste, S.A.B. de C.V. (ASUR) is a Mexican airport operator with concessions to operate, maintain and develop the airports of Cancún, Mérida, Cozumel, Villahermosa, Oaxaca, Veracruz, Huatulco, Tapachula and Minatitlán in the southeast of México. The Company is listed both on the NYSE in the U.S., where it trades under the symbol ASR, and on the Mexican Bolsa, where it trades under the symbol ASUR. One ADS represents ten (10) series B shares.

Some of the statements contained in this press release discuss future expectations or state other forward-looking information. Those statements are subject to risks identified in this press release and in ASUR's filings with the SEC. Actual developments could differ significantly from those contemplated in these forward-looking statements. The forward-looking information is based on various factors and was derived using numerous assumptions. Our forward-looking statements speak only as of the date they are made and, except as may be required by applicable law, we do not have an obligation to update or revise them, whether as a result of new information, future or otherwise.

TABLES TO FOLLOW

Edgar Filing: WINTRUST FINANCIAL CORP - Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Grupo Aeroportuario del Sureste, S.A.B. de C.V.

By: /s/ ADOLFO CASTRO RIVAS
Adolfo Castro Rivas
Director of Finance

Date: July 22, 2010