

Altisource Residential Corp
Form 10-Q
October 22, 2013

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, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 001-35657

Altisource Residential Corporation
(Exact name of registrant as specified in its charter)
MARYLAND 46-0633510
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

c/o Altisource Asset Management Corporation
402 Strand Street
Frederiksted, United States Virgin Islands 00840-3531
(Address of principal executive office)

(340) 692-1055
(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 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

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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 October 15, 2013, 42,276,057 shares of our common stock were outstanding.

Altisource Residential Corporation

September 30, 2013

Table of Contents

Part I

<u>Item 1. Financial statements (unaudited)</u>	<u>1</u>
<u>Consolidated Balance Sheets</u>	<u>2</u>
<u>Consolidated Statements of Operations</u>	<u>3</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's discussion and analysis of financial condition and results of operations</u>	<u>13</u>
<u>Item 3. Quantitative and qualitative disclosures about market risk</u>	<u>24</u>
<u>Item 4. Controls and procedures</u>	<u>25</u>
<u>Part II</u>	<u>25</u>
<u>Item 1A. Risk factors</u>	<u>25</u>
<u>Item 4. Mine safety disclosures</u>	<u>25</u>
<u>Item 6. Exhibits</u>	<u>25</u>
<u>Signatures</u>	<u>26</u>

(table of contents)

References in this report to "we," "our," "us," or the "Company" refer to Altisource Residential Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to "AAMC" refer to Altisource Asset Management Corporation, unless otherwise indicated. References in this report to "Altisource" refer to Altisource Portfolio Solutions S.A. and its consolidated subsidiaries, unless otherwise indicated. References in this report to "Ocwen" refer to Ocwen Financial Corporation and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this quarterly report on Form 10-Q contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this quarterly report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Factors that may materially affect such forward-looking statements include, but are not limited to:

- our ability to implement our business strategy;
- our ability to make distributions to our stockholders;
- the impact of changes to the supply of, value of and the returns on sub-performing and non-performing loans;
- our ability to convert loans to single-family rental properties generating attractive returns;
- our ability to predict our costs;
- difficulties in identifying sub-performing and non-performing loans and single-family properties to acquire;
- our ability to effectively compete with our competitors;
- our ability to apply the proceeds from financing activities to target assets in a timely manner;
- changes in interest rates and the market value of the collateral underlying our sub-performing and non-performing loan portfolios or acquired single-family properties;
- our ability to obtain and access financing arrangements on favorable terms, or at all;
- our ability to retain our exclusive engagement of AAMC;
- the failure of Altisource to effectively perform its obligations under various agreements with us;
- the failure of Ocwen to effectively perform its servicing obligations under the Ocwen servicing agreement;
- our failure to qualify or maintain qualification as a REIT;
- our failure to maintain our exemption from registration under the Investment Company Act;
- the impact of adverse real estate, mortgage or housing markets; and
- the impact of adverse legislative or regulatory tax changes.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see "Item 1A. Risk factors" in our quarterly report on Form 10-Q for the first quarter of 2013.

(table of contents)

Part I

Item 1. Financial statements (unaudited)

Certain information contained herein is presented as of October 15, 2013, which we have concluded is the latest practicable date for financial information prior to the filing of this quarterly report.

1

(table of contents)

Altisource Residential Corporation

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	September 30, 2013	December 31, 2012
Assets:		
Real estate assets, net:		
Land	\$224	\$—
Rental residential properties, net	1,128	—
Real estate owned	14,408	—
	15,760	—
Real estate assets held for sale	1,074	—
Mortgage loans	641,903	—
Cash and cash equivalents	98,252	100,005
Restricted cash	3,092	—
Related party receivables	6,272	—
Deferred leasing and financing costs, net	1,744	—
Prepaid expenses and other assets	911	6
Total assets	769,008	100,011
Liabilities:		
Repurchase agreements	338,800	—
Accounts payable and accrued liabilities	2,408	46
Related party payables	2,746	54
Total liabilities	343,954	100
Commitments and contingencies (Note 6)		
Equity:		
Common stock, \$.01 par value, 200,000,000 authorized shares; 25,087,236 and 7,810,708 shares issued and outstanding, respectively	251	78
Additional paid-in capital	409,449	99,922
Retained earnings/(accumulated deficit)	15,354	(89)
Total equity	425,054	99,911
Total liabilities and equity	\$769,008	\$100,011

See accompanying notes to consolidated financial statements.

(table of contents)

Altisource Residential Corporation
 Consolidated Statements of Operations
 (In thousands, except share and per share amounts)
 (Unaudited)

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Rental revenues and net gain on investments:		
Rental revenues	\$6	\$6
Net unrealized gain on mortgage loans	17,670	25,963
Net realized gain on mortgage loans	1,909	4,015
Total rental revenues and net gain on investments	19,585	29,984
Expenses:		
Residential rental property operating expenses	191	275
Real estate depreciation and amortization	4	4
Mortgage loan servicing costs	2,154	3,788
Interest expense	467	1,163
Related party general and administrative	2,039	4,474
General and administrative	1,190	2,690
Total expenses	6,045	12,394
Other income	169	362
Net income	\$13,709	\$17,952
Earnings per share of common stock – basic:		
Earnings per basic share	\$0.55	\$1.03
Weighted average common stock outstanding – basic	25,078,727	17,484,598
Earnings per share of common stock – diluted:		
Earnings per diluted share	\$0.53	\$0.98
Weighted average common stock outstanding – diluted	25,949,293	18,373,205
Dividend declared per common share	\$0.10	\$0.10

See accompanying notes to consolidated financial statements.

(table of contents)

Altisource Residential Corporation
 Consolidated Statements of Stockholders' Equity
 (In thousands, except share amounts)
 (Unaudited)

	Common stock		Additional paid-in capital	Retained earnings/(accumulated deficit)	Total equity
	Number of shares	Amount			
December 31, 2012	7,810,708	\$78	\$99,922	\$ (89)	\$99,911
Issuance of common stock, including stock option exercises	17,276,528	173	323,330		