

STEWART INFORMATION SERVICES CORP
Form 10-Q
May 01, 2019
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, 2019

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 001-02658

STEWART INFORMATION SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 74-1677330

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1980 Post Oak Blvd., Houston TX 77056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 625-8100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1 par value	STC	New York Stock Exchange (NYSE)

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On April 25, 2019, there were 23,700,473 outstanding shares of the issuer's Common Stock, \$1 par value per share.

FORM 10-Q QUARTERLY REPORT
QUARTER ENDED MARCH 31, 2019
TABLE OF CONTENTS

Item	Page
PART I – FINANCIAL INFORMATION	
1. <u>Financial Statements</u>	<u>3</u>
2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
4. <u>Controls and Procedures</u>	<u>27</u>
PART II – OTHER INFORMATION	
1. <u>Legal Proceedings</u>	<u>28</u>
1A. <u>Risk Factors</u>	<u>28</u>
2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
5. <u>Other Information</u>	<u>28</u>
6. <u>Exhibits</u>	<u>28</u>
<u>Signature</u>	<u>29</u>

As used in this report, “we,” “us,” “our,” “Registrant,” the “Company” and “Stewart” mean Stewart Information Services Corporation and our subsidiaries, unless the context indicates otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended March 31,	
	2019	2018
	(\$000 omitted, except per share)	
Revenues		
Title revenues:		
Direct operations	161,247	185,512
Agency operations	214,863	236,854
Ancillary services	14,282	11,831
Operating revenues	390,392	434,197
Investment income	4,724	4,704
Investment and other gains (losses) – net	3,403	(1,671)
	398,519	437,230
Expenses		
Amounts retained by agencies	176,494	195,207
Employee costs	129,256	138,822
Other operating expenses	77,155	80,267
Title losses and related claims	15,686	18,981
Depreciation and amortization	5,990	6,234
Interest	1,164	974
	405,745	440,485
Loss before taxes and noncontrolling interests	(7,226)	(3,255)
Income tax benefit	2,442	1,294
Net loss	(4,784)	(1,961)
Less net income attributable to noncontrolling interests	1,982	1,819
Net loss attributable to Stewart	(6,766)	(3,780)
Net loss	(4,784)	(1,961)
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	4,588	(1,592)
Change in net unrealized gains and losses on investments	9,011	(8,006)
Reclassification adjustment for net losses (gains) included in net income	162	(249)
Other comprehensive income (loss), net of taxes:	13,761	(9,847)
Comprehensive income (loss)	8,977	(11,808)
Less net income attributable to noncontrolling interests	1,982	1,819
Comprehensive income (loss) attributable to Stewart	6,995	(13,627)
Basic and diluted average shares outstanding (000)	23,595	23,508
Basic and diluted loss per share attributable to Stewart	(0.29)	(0.16)
See notes to condensed consolidated financial statements.		

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2019 (Unaudited) (\$000 omitted)	As of December 31, 2018
Assets		
Cash and cash equivalents	164,507	192,067
Short-term investments	23,473	22,950
Investments in debt and equity securities, at fair value	627,648	636,017
Receivables:		
Premiums from agencies	29,421	29,032
Trade and other	46,382	43,568
Income taxes	1,982	489
Notes	2,935	2,987
Allowance for uncollectible amounts	(4,450)	(4,614)
	76,270	71,462
Property and equipment:		
Land	3,512	3,991
Buildings	21,552	22,968
Furniture and equipment	216,901	216,498
Accumulated depreciation	(184,773)	(182,663)
	57,192	60,794
Operating lease assets	103,947	—
Title plants, at cost	74,737	74,737
Investments on equity method basis	8,611	8,590