

OPPENHEIMER HOLDINGS INC

Form 8-K

April 27, 2018

As filed with the Securities and Exchange Commission on April 27, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

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CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported):

April 27, 2018

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OPPENHEIMER HOLDINGS INC.

(Exact name of registrant as specified in its charter)

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Commission File Number 1-12043

Delaware 98-0080034  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

85 Broad Street

New York, New York 10004

(Address of principal executive offices) (Zip Code)

(212) 668-8000

(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

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## SECTION 2 – FINANCIAL INFORMATION

### ITEM 2.02. Results of Operations and Financial Condition.

(a) On April 27, 2018, Oppenheimer Holdings Inc. (the "Company") issued a press release announcing its first quarter 2018 earnings. A copy of the April 27, 2018 press release is furnished as Exhibit 99.1 to this Report and is incorporated herein by reference.

The information contained in this Item 2.02 and the related exhibit attached hereto shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information or such exhibit be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing. The information set forth in this Item 2.02 or any exhibit related to this Item 2.02 on this Form 8-K shall not be deemed an admission as to the materiality of any information in the referenced items.

## SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

### ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits:

The following exhibit is furnished (not filed) with this Current Report on Form 8-K:

99.1 Oppenheimer Holdings Inc.'s Press Release dated April 27, 2018

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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, hereunto duly authorized.

Oppenheimer Holdings Inc.

Date: April 27, 2018

By: /s/ Jeffrey J. Alfano

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Jeffrey J. Alfano  
Chief Financial Officer  
(Duly Authorized Officer)

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EXHIBIT INDEX

Exhibit Number	Description
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<u>99.1</u>	<u>Oppenheimer Holdings Inc.'s Press Release dated April 27, 2018</u>
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## Exhibit 99.1

Oppenheimer Holdings Inc. Reports First Quarter 2018  
Earnings and Announces Quarterly Dividend

New York, April 27, 2018 – Oppenheimer Holdings Inc. (NYSE: OPY) today reported net income of \$6.7 million or \$0.51 basic net income per share for the first quarter of 2018 compared with a net loss of \$4.8 million or \$0.36 basic net loss per share for the first quarter of 2017. Income before income taxes from continuing operations was \$9.6 million for the first quarter of 2018 compared with a loss before income taxes from continuing operations of \$7.0 million for the first quarter of 2017. Revenue from continuing operations for the first quarter of 2018 was \$234.5 million compared with revenue from continuing operations of \$213.3 million for the first quarter of 2017, an increase of 10.0%.

## Summary Operating Results (Unaudited)

('000s, except Per Share

Amounts)

	For the 3-Months Ended		
	3/31/2018	3/31/2017	% Change
Revenue	\$234,530	\$213,261	10.0
Expenses	224,905	220,286	2.1
Income (Loss) Before Income Taxes from Continuing Operations	9,625	(7,025 )	*
Income Taxes	2,916	(1,687 )	*
Net Income (Loss) from Continuing Operations	6,709	(5,338 )	*
Net Income from Discontinued Operations	—	587	(100.0 )
Net Income (Loss )	6,709	(4,751 )	*
Less Net Income Attributable to Non-Controlling Interest, Net of Tax	4	96	(95.8 )
Net Income (Loss) Attributable to Oppenheimer Holdings Inc.	\$6,705	\$(4,847 )	*

## Basic Net Income (Loss) Per

Share <sup>(1)</sup>

Continuing Operations	\$0.51	\$(0.40 )	*
Discontinued Operations	—	0.04	(100.0 )
Net Income (Loss) Per Share	\$0.51	\$(0.36 )	*

## Diluted Net Income (Loss) Per

Share <sup>(1)</sup>

Continuing Operations	\$0.48	\$(0.40 )	*
Discontinued Operations	—	0.04	(100.0 )
Net Income (Loss) Per Share	\$0.48	\$(0.36 )	*

Weighted Average Number of  
Common Shares Outstanding

Basic	13,240	13,399	(1.2 )
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Diluted	13,977	13,399	4.3
	As of		
	3/31/2018	12/31/2017	%
			Change
Book Value Per Share <sup>(1)</sup>	\$40.04	\$39.55	1.2
Tangible Book Value Per Share <sup>(1)(2)</sup>	\$27.20	\$26.74	1.7

(1) Attributable to Oppenheimer Holdings Inc.

(2) Represents book value less goodwill and intangible assets divided by number of shares outstanding.

\* Percentage not meaningful.

The S&P 500 index decreased 1.2% during the first quarter of 2018 as volatility increased in the equity markets for the first time in several years. A continuing strong economy, low unemployment, and lower individual and corporate tax rates were not sufficient to offset uncertainty around interest rate increases, threats of increased tariffs, and a potential trade war. These factors as well as continued political uncertainty in Washington dampened investor enthusiasm during the period. The Federal Reserve raised short-term interest rates by 25 basis points in March 2018, the sixth 25 basis point increase since the Fed began raising rates in December 2015. The increase in short-term interest rates coupled with low inflation expectations led to a narrowing of the spread between the 2-Year and the 10-Year Treasury Yields to lows not seen since the fourth quarter of 2007.

Albert G. Lowenthal, Chairman and CEO commented, "Our results continued to improve during the period driven by increased investment banking activity, higher asset management fee-based revenues, as well as higher fees from the FDIC-insured bank deposit program. Retail and institutional commission revenues declined overall for the period reflecting the continued downward trend in the transaction-based business as investors continued to show a preference for passive strategies amid lower levels of focus on individual security selection and lower turnover. Investment banking results were positively impacted by increased participations in equities underwritings and higher advisory fees from M&A transactions. The fee-based business continued to perform well, driven by higher asset valuations over the comparable period as clients continue to embrace a managed product solution. Increases in short-term interest rates continued to benefit our bank deposit fee income. We are increasingly optimistic that these positive trends will continue and that we can continue to build momentum for our business."

#### Financial Highlights

- Commission revenue was \$83.4 million for the first quarter of 2018, a decrease of 3.8% compared with \$86.7 million for the first quarter of 2017 due to lower transaction-based revenues in both the retail and institutional businesses during the first quarter of 2018.
- Advisory fees were \$77.5 million for the first quarter of 2018, an increase of 11.7% compared with \$69.4 million for the first quarter of 2017 due to a higher level of client assets under management ("AUM").
- Investment banking revenue increased 56.5% to \$28.2 million for the first quarter of 2018 compared with \$18.0 million for the first quarter of 2017 due to higher equity underwriting fees as well as higher merger and acquisition advisory fees during the first quarter of 2018.
- Bank deposit sweep income was \$25.3 million for the first quarter of 2018, an increase of 79.1% compared with \$14.1 million for the first quarter of 2017 due to higher short-term interest rates during the first quarter of 2018.
- Interest revenue was \$12.2 million for the first quarter of 2018, an increase of 15.7% compared with \$10.6 million for the first quarter of 2017 due primarily to an increase in interest revenue on margin extended to customers during the first quarter of 2018.
- Principal transactions revenue decreased 49.3% to \$2.7 million for the first quarter of 2018 compared with \$5.4 million for the first quarter of 2017 due to lower trading income from corporate and municipal bonds during the first quarter of 2018.



Business Segment Results (Unaudited)  
('000s)

	For the 3-Months Ended		
	3/31/2018	3/31/2017	% Change
Revenue			
Private Client	\$154,094	\$137,389	12.2
Asset Management	17,644	18,666	(5.5 )
Capital Markets	61,529	55,903	10.1
Corporate/Other	1,263	1,303	(3.1 )