

Altisource Residential Corp  
Form 10-Q  
July 23, 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 JUNE 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 July 18, 2013, 25,069,945 shares of our common stock were outstanding.

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Altisource Residential Corporation

June 30, 2013

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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.



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Part I

Item 1. Financial statements (unaudited)

Certain information contained herein is presented as of July 18, 2013, which we have concluded is the latest practicable date for financial information prior to the filing of this quarterly report.

Reclassification and renaming of our common stock

On April 4, 2013, we reclassified our previously authorized Class A common stock into Class B common stock and renamed our Class B common stock the “common stock.” Prior to the reclassification, no Class A common stock was outstanding. Unless otherwise indicated, prior to the reclassification, all references herein to common stock refer to the Class B common stock.

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Altisource Residential Corporation  
 Consolidated Balance Sheets  
 (In thousands, except share and per share amounts)  
 (Unaudited)

	June 30, 2013	December 31, 2012
Assets:		
Real estate assets, net:		
Land	\$4	\$—
Rental residential properties, net	54	—
Real estate owned	3,749	—
	3,807	—
Real estate assets held for sale	901	—
Mortgage loans	163,520	—
Cash and cash equivalents	223,315	100,005
Related party receivables	3,183	—
Deferred leasing and financing costs, net	868	—
Prepaid expenses and other assets	20,262	6
Total assets	415,856	100,011
Liabilities:		
Repurchase agreement	472	—
Accounts payable and accrued liabilities	1,138	46
Related party payables	501	54
Total liabilities	2,111	100
Commitments and contingencies (Note 6)		
Equity:		
Common stock, \$.01 par value, 200,000,000 authorized shares; and 25,067,204 and 7,810,708 shares issued and outstanding, respectively	251	78
Additional paid-in capital	409,340	99,922
Retained earnings/(accumulated deficit)	4,154	(89 )
Total equity	413,745	99,911
Total liabilities and equity	\$415,856	\$100,011

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30, 2013	Six months ended June 30, 2013
Net gain on investments:		
Net unrealized gain on mortgage loans	\$7,165	\$8,293
Net realized gain on mortgage loans	1,719	2,106
Total net gain on investments	8,884	10,399
Expenses:		
Residential rental property operating expenses	84	84
Related party mortgage loan servicing costs	1,242	1,634
Interest expense	654	696
Related party general and administrative	1,156	2,234
General and administrative	714	1,701
Total expenses	3,850	6,349
Other income	193	193
Net income	\$5,227	\$4,243
Earnings per share of common stock – basic:		
Earnings per basic share	\$0.27	\$0.31
Weighted average common stock outstanding – basic	19,374,601	13,624,599
Earnings per share of common stock – diluted:		
Earnings per diluted share	\$0.26	\$0.29
Weighted average common stock outstanding – diluted	20,259,184	14,522,227

See accompanying notes to consolidated financial statements.



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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	17,256,496	173	323,254	—	323,427
Cost of issuance of common stock	—	—	(13,934 )	—	(13,934 )
Shared-based compensation	—	—	98	—	98
Net income	—	—	—	4,243	4,243
June 30, 2013	25,067,204	\$251	\$409,340	\$ 4,154	\$413,745