

CORELOGIC, INC.
Form 10-Q
November 05, 2010

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, 2010

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 001-13585

CoreLogic, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

95-1068610
(I.R.S. Employer Identification No.)

4 First American Way, Santa Ana, California
(Address of principal executive offices)

92707-5913
(Zip Code)

(714) 250-6400
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

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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 (§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.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
<input type="checkbox"/> (Do not check if a Non-accelerated smaller reporting filer	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Section 12,13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

On November 1, 2010, there were 117,009,790 shares of common stock outstanding.

CoreLogic, Inc.
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Items 3 and 4 of Part II have been omitted because they are not applicable with respect to the current reporting period.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

CoreLogic, Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in thousands, except per share value)	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 327,304	\$ 498,997
Restricted cash	21,095	-
Accounts receivable (less allowance for doubtful accounts of \$29,788 and \$30,813 in 2010 and 2009, respectively)	294,518	251,915
Prepaid expenses and other current assets	40,418	37,912
Income tax receivable	8,028	70,724
Deferred tax asset	23,011	22,776
Marketable securities	67,578	77,841
Due from First American Financial Corporation ("FAFC"), net	5,045	14,152
Assets of discontinued operations (Note 15)	-	5,136,677
Total current assets	786,997	6,110,994
Property and equipment, net	248,478	249,704
Goodwill	1,645,994	1,816,591
Other intangible assets, net	154,707	175,636
Capitalized data and database costs, net	209,479	204,224
Investment in affiliates	178,483	171,803
Other assets	164,606	104,129
Total assets	\$ 3,388,744	\$ 8,833,081
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 261,971	\$ 303,387
Deferred revenue, current	187,446	208,749
Mandatorily redeemable noncontrolling interests	385,847	-
Current portion of long-term debt	38,063	35,393
Liabilities of discontinued operations (Note 15)	-	3,545,166
Total current liabilities	873,327	4,092,695
Long-term debt, net of current portion	492,876	536,801
Deferred revenue, long-term	346,696	356,712
Deferred income tax liability	85,483	110,509
Other liabilities	110,339	108,261
Total liabilities	1,908,721	5,204,978
Redeemable noncontrolling interests	-	458,847
Equity:		
CoreLogic, Inc.'s (CLGX) stockholders' equity:		
Preferred stock, \$0.00001 par value; 500 shares authorized, no shares issued or outstanding	-	-
Common stock, \$0.00001 par value; 180,000 shares authorized; 117,001 and 103,283 shares issued and outstanding		

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as of September 30, 2010 and December 31, 2009, respectively	1	1
Additional paid-in capital	1,138,409	1,104,587
Retained earnings	336,152	2,217,504
Accumulated other comprehensive income (loss)	5,719	(167,798)
Total CLGX's stockholders' equity	1,480,281	3,154,294
Noncontrolling interests	(258)	14,962
Total equity	1,480,023	3,169,256
Total liabilities and equity	\$ 3,388,744	\$ 8,833,081

See notes to condensed consolidated financial statements.

CoreLogic, Inc.

Condensed Consolidated Statements of Income
(unaudited)

(in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Operating revenue	\$ 484,304	\$ 469,796	\$ 1,400,828	\$ 1,454,912
External cost of revenue	150,626	139,924	429,716	446,690
Salaries and benefits	171,638	166,582	515,041	519,125
Other operating expenses	73,976	87,925	261,795	237,557
Depreciation and amortization	30,317	44,979	92,681	109,324
Impairment loss	174,000	-	174,000	-
Total operating expenses	600,557	439,410	1,473,233	1,312,696
(Loss) income from operations	(116,253)	30,386	(72,405)	142,216
Interest (expense) income:				
Interest income	1,619	936	3,327	4,605
Interest expense	(9,049)	(7,763)	(25,569)	(26,552)
Total interest (expense), net	(7,430)	(6,827)	(22,242)	(21,947)
Gain (loss) on investment and other income	447	(154)	(2,624)	(11)
(Loss) income from continuing operations before equity in earnings of affiliates and income taxes	(123,236)	23,405	(97,271)	120,258
Provision for income taxes	(26,764)	3,832	(13,477)	38,314
(Loss) income from continuing operations before equity in earnings of affiliates	(96,472)	19,573	(83,794)	81,944
Equity in earnings of affiliates, net of tax	13,429	12,001	29,315	39,306
(Loss) income from continuing operations	(83,043)	31,574	(54,479)	121,250
Income from discontinued operations, net of tax	-	37,620	43,520	89,570
Net (loss) income	(83,043)	69,194	(10,959)	210,820
Less: Net income attributable to noncontrolling interests	10,372	13,832	28,629	49,161
Net (loss) income attributable to CLGX	\$ (93,415)	\$ 55,362	\$ (39,588)	\$ 161,659
Amounts attributable to CLGX stockholders:				
(Loss) income from continuing operations	\$ (93,415)	\$ 17,742	\$ (83,108)	\$ 72,089
Income from discontinued operations, net of tax	-	37,620	43,520	89,570
Net (loss) income	\$ (93,415)	\$ 55,362	\$ (39,588)	\$ 161,659
Basic (loss) income per share:				
(Loss) income from continuing operations attributable to CLGX stockholders	\$ (0.80)	\$ 0.19	\$ (0.76)	\$ 0.77
Income from discontinued operations attributable to CLGX stockholders, net of tax	-	0.40	0.40	0.96
Net (loss) income attributable to CLGX	\$ (0.80)	\$ 0.59	\$ (0.36)	\$ 1.73
Diluted (loss) income per share:				
	\$ (0.80)	\$ 0.19	\$ (0.76)	\$ 0.77

(Loss) income from continuing operations
 attributable to CLGX stockholders

Income from discontinued operations attributable to CLGX stockholders, net of tax	-	0.40	0.40	0.95
Net (loss) income attributable to CLGX	\$ (0.80)	\$ 0.59	\$ (0.36)	\$ 1.72
Weighted-average common shares outstanding:				
Basic	116,991	93,448	109,800	93,243
Diluted	116,991	94,525	109,800	94,075

See notes to condensed consolidated financial statements.

CoreLogic, Inc.

Condensed Consolidated Statements of Comprehensive Income
(unaudited)

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Net (loss) income attributable to CLGX	\$ (93,415)	\$ 55,362	\$ (39,588)	\$ 161,659
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities	1,754	2,880	(2,606)	13,526
Foreign currency translation adjustments	3,276	1,512	3,086	4,468
Supplemental Benefit Plans adjustment	99	(2,566)	(308)	(1,494)
Total other comprehensive (loss) income, net of tax	5,129	1,826	172	16,500
Comprehensive (loss) income	(88,286)	57,188	(39,416)	178,159
Less: Comprehensive income (loss) attributable to the noncontrolling interests	6	899	(6)	4,052
Comprehensive (loss) income attributable to CLGX	\$ (88,292)	\$ 56,289	\$ (39,410)	\$ 174,107

See notes to condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	For the Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net (loss) income	\$ (10,959)	\$ 210,820
Income from discontinued operations	43,520	89,570
(Loss) income from continuing operations	\$ (54,479)	\$ 121,250
Adjustments to reconcile (loss) income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	92,681	109,324
Impairment loss	174,000	-
Provision for bad debt and claim losses	20,985	33,182
Share-based compensation	11,685	14,045
Equity in earnings of affiliates, net of taxes	(29,315)	(39,306)
Deferred income tax	(32,289)	17,734
Net realized investment losses	2,624	11
Change in operating assets and liabilities:		
Accounts receivable	(46,303)	22,344
Prepaid expenses and other assets	(2,506)	(1,384)
Accounts payable and accrued expenses	12,210	(44,604)
Deferred income	(31,319)	(19,870)
Due from FAFC	9,108	(27,153)
Income tax accounts	(29,821)	6,962
Dividends received from investments in affiliates	43,991	67,257
Other assets and other liabilities	(48,076)	(15,266)
Net cash provided by operating activities - continuing operations	93,176	244,526
Net cash (used in) provided by operating activities - discontinued operations	(9,676)	145,213
Total cash provided by operating activities	\$ 83,500	\$ 389,739
Cash flows from investing activities:		
Purchase of redeemable noncontrolling interests	(72,000)	-
Purchase of subsidiary shares from and other decreases in noncontrolling interests	(5,617)	(5,914)
Purchases of capitalized data	(18,362)	(19,429)
Purchases of property and equipment	(50,411)	(35,957)
Cash paid for acquisitions	(2,863)	(29,465)
Purchases of investments	(21,819)	(10,008)
Proceeds from maturities of debt securities	298	10,325
Proceeds from sale of investments	26,386	4,488
Increase in restricted cash	(21,095)	-
Net cash used in investing activities - continuing operations	(165,483)	(85,960)
Net cash (used in) provided by investing activities - discontinued operations	(61,099)	130,473
Total cash (used in) provided by investing activities	\$ (226,582)	\$ 44,513
Cash flows from financing activities:		
Proceeds from long-term debt	635,000	55,384
Repayment of long-term debt	(696,155)	(83,692)

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Proceeds from issuance of stock related to stock options and employee benefit plans	7,375	9,817
Distribution to noncontrolling interests	(18,719)	(24,437)
Cash dividends	(22,657)	(61,492)
Tax benefit related to stock options	3,160	460
Net cash used in financing activities - continuing operations	(91,996)	(103,960)
Net cash provided by (used in) financing activities - discontinued operations	29,087	(169,528)
Total cash used in by financing activities	\$ (62,909)	\$ (273,488)
Net (decrease) increase in cash and cash equivalents	(205,991)	160,764
Cash and cash equivalents at beginning of period	498,997	311,507
Change in cash and cash equivalents - discontinued operations	34,298	(45,509)
Cash and cash equivalents at end of period	\$ 327,304	\$ 426,762

See notes to condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(unaudited)

(in thousands)	For the Nine Months Ended September 30,	
	2010	2009
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 33,540	\$ 31,115
Cash paid income taxes, net	\$ 1,454	\$ 61,475
Non-cash financing activities:		
Distribution to stockholders of First American Financial Corporation ("FAFC")	\$ 1,661,443	\$ -
Adjustment of carrying value of mandatorily redeemable noncontrolling interest	\$ 11,336	\$ -
Promissory Note due to First American Financial Corporation (Note 9)	\$ 19,900	\$ -

See notes to condensed consolidated financial statements.

CoreLogic, Inc.

Condensed Consolidated Statement of Equity
(unaudited)

Common	Common	A	Accumulated
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