

ENTERPRISE BANCORP INC /MA/

Form 10-Q

November 06, 2015

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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, 2015

Commission File Number: 001-33912

Enterprise Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

04-3308902

(I.R.S. Employer Identification No.)

222 Merrimack Street, Lowell, Massachusetts

(Address of principal executive offices)

(978) 459-9000

(Registrant's telephone number, including area code)

01852

(Zip 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 (§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 definition for "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

Smaller reporting company

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

As of November 2, 2015, there were 10,360,876 shares of the issuer's common stock outstanding- Par Value \$0.01 per share

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PART I-FINANCIAL INFORMATION

Item 1 - Financial Statements

ENTERPRISE BANCORP, INC.

Consolidated Balance Sheets

(Dollars in thousands)	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$35,093	\$30,044
Interest-earning deposits	20,693	10,102
Total cash and cash equivalents	55,786	40,146
Investment securities at fair value	281,027	245,065
Federal Home Loan Bank Stock	4,239	3,357
Loans held for sale	1,325	2,371
Loans, less allowance for loan losses of \$28,130 at September 30, 2015 and \$27,121 at December 31, 2014	1,762,478	1,645,483
Premises and equipment	30,153	30,370
Accrued interest receivable	7,734	6,733
Deferred income taxes, net	13,684	12,852
Bank-owned life insurance	28,063	16,315
Prepaid income taxes	—	770
Prepaid expenses and other assets	5,169	13,110
Goodwill	5,656	5,656
Total assets	\$2,195,314	\$2,022,228
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$1,963,615	\$1,768,546
Borrowed funds	24,171	58,900
Subordinated debt	14,819	10,825
Accrued expenses and other liabilities	15,440	16,441
Income taxes payable	313	—
Accrued interest payable	252	566
Total liabilities	\$2,018,610	\$1,855,278
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value per share; 1,000,000 shares authorized; no shares issued	—	—
Common stock \$0.01 par value per share; 20,000,000 shares authorized; 10,359,395 shares issued and outstanding at September 30, 2015 (including 145,762 shares of unvested participating restricted awards), and 10,207,943 shares issued and outstanding at December 31, 2014 (including 157,694 shares of unvested participating restricted awards)	104	102
Additional paid-in-capital	60,042	57,130
Retained earnings	113,515	105,951
Accumulated other comprehensive income	3,043	3,767
Total stockholders' equity	\$176,704	\$166,950
Total liabilities and stockholders' equity	\$2,195,314	\$2,022,228

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
 Consolidated Statements of Income
 (Unaudited)

(Dollars in thousands, except per share data)	Three months ended September		Nine months ended September	
	30, 2015	2014	30, 2015	2014
Interest and dividend income:				
Loans and loans held for sale	\$19,584	\$18,234	\$57,115	\$53,117
Investment securities	1,377	1,131	3,825	3,204
Other interest-earning assets	62	29	137	84
Total interest and dividend income	21,023	19,394	61,077	56,405
Interest expense:				
Deposits	1,022	1,005	3,033	3,031
Borrowed funds	10	3	32	33
Subordinated debt	232	294	837	883
Total interest expense	1,264	1,302	3,902	3,947
Net interest income	19,759	18,092	57,175	52,458
Provision for loan losses	250	765	2,100	1,165
Net interest income after provision for loan losses	19,509	17,327	55,075	51,293
Non-interest income:				
Investment advisory fees	1,182	1,202	3,568	3,451
Deposit and interchange fees	1,207	1,268	3,575	3,727
Income on bank-owned life insurance, net	157	99	358	313
Net gains on sales of investment securities	7	215	1,363	830
Gains on sales of loans	89	135	373	283
Other income	743	621	2,073	1,679
Total non-interest income	3,385	3,540	11,310	10,283
Non-interest expense:				
Salaries and employee benefits	10,255	9,454	29,934	27,852
Occupancy and equipment expenses	1,775	1,588	5,484	4,881
Technology and telecommunications expenses	1,428	1,248	4,223	3,844
Advertising and public relations expenses	641	575	2,180	1,932
Audit, legal and other professional fees	564	453	1,305	1,294
Deposit insurance premiums	299	297	889	851
Supplies and postage expenses	226	257	736	776
Investment advisory and custodial expenses	102	143	237	409
Other operating expenses	1,258	1,100	4,037	3,546
Total non-interest expense	16,548	15,115	49,025	45,385
Income before income taxes	6,346	5,752	17,360	16,191
Provision for income taxes	2,054	1,921	5,933	5,540
Net income	\$4,292	\$3,831	\$11,427	\$10,651
Basic earnings per share	\$0.41	\$0.38	\$1.11	\$1.05
Diluted earnings per share	\$0.41	\$0.37	\$1.10	\$1.05
Basic weighted average common shares outstanding	10,349,232	10,143,055	10,308,310	10,099,593
Diluted weighted average common shares outstanding	10,414,254	10,228,501	10,373,464	10,184,264

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
 Consolidated Statements of Comprehensive Income
 (Unaudited)

(Dollars in thousands)	Three months ended		Nine months ended September	
	September 30,		30,	
	2015	2014	2015	2014
Net income	\$4,292	\$3,831	\$11,427	\$10,651
Other comprehensive (loss) income, net of taxes:				
Gross unrealized holding gains (losses) on investments arising during the period	1,065	(283	) 234	2,905
Income tax (expense) benefit	(388	) 113	(70	) (1,049
Net unrealized holding gains (losses), net of tax	677	(170	) 164	1,856
Less: Reclassification adjustment for net gains included in net income				
Net realized gains on sales of securities during the period	7	215	1,363	830
Income tax expense	(2	) (75	) (475	) (294
Reclassification adjustment for gains realized, net of tax	5	140	888	536
Total other comprehensive income (loss)	672	(310	) (724	) 1,320
Comprehensive income	\$4,964	\$3,521	\$10,703	\$11,971

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.

Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2014	\$ 102	\$57,130	\$ 105,951	\$ 3,767	\$ 166,950
Net income			11,427		11,427
Other comprehensive income (loss), net				(724)	(724)
Tax benefit from exercise of stock options		4			4
Common stock dividend paid (\$0.375 per share)			(3,863)		(3,863)
Common stock issued under dividend reinvestment plan	1	956			957
Common stock issued other	—	129			129
Stock-based compensation	1	1,416			1,417
Stock options exercised, net	—	407			407
Balance at September 30, 2015	\$ 104	\$60,042	\$ 113,515	\$ 3,043	\$ 176,704

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
 Consolidated Statements of Cash Flows
 (Unaudited)

	Nine months ended September 30,	
(Dollars in thousands)	2015	2014
Cash flows from operating activities:		
Net income	\$11,427	\$10,651
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,100	1,165
Depreciation and amortization	4,162	4,089
Stock-based compensation expense	1,365	1,325
Mortgage loans originated for sale	(18,013)	(13,948)
Proceeds from mortgage loans sold	19,432	13,841
Net gains on sales of loans	(373)	(283)
Net gains on sales of OREO	(154)	—
Net gains on sales of investments	(1,363)	(830)
Income on bank-owned life insurance, net	(358)	(313)
Changes in:		
Accrued interest receivable	(1,001)	(498)
Prepaid expenses and other assets	7,807	(1,726)
Deferred income taxes	(427)	527
Accrued expenses and other liabilities	1,700	5,083
Subordinated debt issuance costs	(190)	—
Accrued interest payable	(314)	(314)
Net cash provided by operating activities	25,800	18,769
Cash flows from investing activities:		
Proceeds from sales of investment securities available-for-sale	13,677	24,329
Net (purchases) proceeds from FHLB capital stock	(882)	967
Proceeds from maturities, calls and pay-downs of investment securities	21,276	30,311
Purchase of investment securities	(73,940)	(74,752)
Net increase in loans	(119,095)	(90,316)
Additions to premises and equipment, net	(2,970)	(2,949)
Proceeds from OREO sales and payments	1,015	—
Purchase of OREO	—	(457)
Purchase of bank-owned life insurance	(11,390)	—
Net cash used in investing activities	(172,309)	(112,867)
Cash flows from financing activities:		
Net increase in deposits	195,069	132,804
Net decrease in borrowed funds	(34,729)	(35,530)
Repayment of subordinated debt	(10,825)	—
Proceeds from issuance of subordinated debt	15,000	—
Cash dividends paid	(3,863)	(3,632)
Proceeds from issuance of common stock	1,086	917
Proceeds from the exercise of stock options, net	407	570
Tax benefit from the exercise of stock options	4	3
Net cash provided by financing activities	162,149	95,132
Net increase in cash and cash equivalents	15,640	