ONCOLYTICS BIOTECH INC
Form 6-K
January 28, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of January 2013

Commission File Number 000-31062

Oncolytics Biotech Inc.

(Translation of registrant's name into English)

Suite 210, 1167 Kensington Crescent NW
Calgary, Alberta, Canada T2N 1X7

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other

Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o	No þ

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 -

EXHIBIT NUMBER	DESCRIPTION
99.1	News Release Dated January 28, 2013: Oncolytics Biotech® Inc. Announces Positive REOLSYIN® Clinical Trial Data Presented at ASCO Gastrointestinal Cancers Symposium

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, thereunto duly authorized.

Oncolytics Biotech Inc.
(Registrant)

Date: January 28, 2013	By:	/s/ Brad Thompson Brad Thompson President and Chief Executive Officer

t-size:10pt;">$
183,162

$
20,076

$
40,647

$
(9,605
)

$
234,280

Reimbursable expenses

15,426

28

—

—

15,454

Non-controlling interests

398

—

—

—

398

198,986

20,104

40,647

(9,605
)

250,132

Cost of revenue

121,518

14,258

41,893

(8,806
)

168,863

Gross profit (loss)

77,468

5,846

(1,246
)

(799
)

81,269

Selling, general and administrative expenses

26,969

4,309

6,558

15,780

53,616

Income (loss) from operations

50,499

1,537

(7,804
)

(16,579
)

27,653

Other income (expense), net

14

13

7

(6,602
)

(6,568
)

Income (loss) before income taxes and
non-controlling interests

$
50,513

$
1,550

$
(7,797

)

$
(23,181
)

$
21,085

Margins:

Gross profit/service revenue

42
%

29
%

(3
)%

N/M

35
%
Income (loss) from operations/service revenue

28
%

8
%

(19
)%

N/M

12
%
N/M — not meaningful.

(in thousands)	Three months ended March 31, 2015 Mortgage Services	Financial Services	Technology Services	Corporate Items and Eliminations	Consolidated Altisource
Revenue					
Service revenue	$144,381	$22,313	$51,970	$ (10,848)	$ 207,816
Reimbursable expenses	31,915	41	—	—	31,956
Non-controlling interests	710	—	—	—	710
	177,006	22,354	51,970	(10,848)	240,482
Cost of revenue	114,804	15,103	52,723	(9,804)	172,826
Gross profit (loss)	62,202	7,251	(753)	(1,044)	67,656
Selling, general and administrative expenses	20,561	4,715	7,315	19,815	52,406
Income (loss) from operations	41,641	2,536	(8,068)	(20,859)	15,250
Other income (expense), net	(4)	(12)	1	(10,427)	(10,442)
Income (loss) before income taxes and non-controlling interests	$41,637	$2,524	$(8,067)	$ (31,286)	$4,808
Margins:					
Gross profit/service revenue	43 %	32 %	(1)%	N/M	33 %
Income (loss) from operations/service revenue	29 %	11 %	(16)%	N/M	7 %

N/M — not meaningful.

Table of Contents

Mortgage Services

Revenue

Revenue by service line was as follows for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)	
Service revenue:				
Asset management services	$132,976	$89,584	48	
Insurance services	22,677	23,642	(4	)
Residential property valuation	17,533	19,447	(10	)
Default management services	5,423	6,694	(19	)
Origination management services	4,553	5,014	(9	)
Total service revenue	183,162	144,381	27	
Reimbursable expenses:				
Asset management services	12,063	30,003	(60	)
Insurance services	2,567	1,349	90	
Default management services	752	541	39	
Origination management services	44	22	100	
Total reimbursable expenses	15,426	31,915	(52	)
Non-controlling interests	398	710	(44	)
Total revenue	$198,986	$177,006	12	

We recognized service revenue of $183.2 million for the three months ended March 31, 2016, a 27% increase compared to the three months ended March 31, 2015. The increase was primarily due to revenue growth in the asset management services businesses primarily from higher volumes of property inspection and preservation referrals and growth in the number of non-Ocwen properties sold on Hubzu. In addition, in early 2015, the pricing model to Ocwen for REO preservation services within asset management services changed. Historically, we billed (1) a fixed fee per REO asset (which was recognized as service revenue) and (2) actual vendor costs (which were recognized as reimbursable expenses revenue). For new REO referrals, beginning in early 2015, our pricing is on a per service basis (which is recognized as service revenue). This change results in certain services that were historically reimbursable expenses revenue becoming service revenue. As a result, service revenue in the asset management services businesses increased and reimbursable expenses revenue decreased.

Certain of our Mortgage Services businesses are impacted by seasonality. REO sales and lawn maintenance services within the asset management services business are generally lowest during the fall and winter months and highest during the spring and summer months.

Cost of Revenue and Gross Profit

Cost of revenue consists of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)	
Compensation and benefits	$25,625	$20,805	23	
Outside fees and services	71,089	52,593	35	
Reimbursable expenses	15,426	31,915	(52	)
Technology and telecommunications	8,414	8,674	(3	)

Depreciation and amortization	964	817	18
Cost of revenue	$121,518	$114,804	6

Cost of revenue for the three months ended March 31, 2016 of $121.5 million increased by 6% compared to the three months ended March 31, 2015. The increase is primarily attributable to higher outside fees and services and compensation and benefits costs, partially offset by a decrease in reimbursable expenses. Outside fees and services increased from a higher volume of property inspection and preservation referrals and the change in billing discussed in the revenue section above, partially offset by the

36

Table of Contents

termination of the Data Access and Services Agreement effective March 31, 2015. Compensation and benefits costs increased from higher headcount to support certain of our growth initiatives. Reimbursable expenses declined primarily as a result of the change in billing discussed in the revenue section above.

Gross profit increased to $77.5 million, representing 42% of service revenue, for the three months ended March 31, 2016 compared to $62.2 million, representing 43% of service revenue, for the three months ended March 31, 2015. Gross profit as a percentage of service revenue decreased slightly as we experienced higher growth in the lower margin property inspection and preservation services, partially offset by the March 31, 2015 termination of the Data Access and Services Agreement with Ocwen.

Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses and Income from Operations

SG&A expenses consist of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$3,070	$538	N/M
Professional services	3,702	4,542	(18)
Occupancy related costs	3,192	2,600	23
Amortization of intangible assets	10,512	6,439	63
Depreciation and amortization	704	554	27
Marketing costs	5,879	3,934	49
Other	(90)	1,954	(105)
Selling, general and administrative expenses	$26,969	$20,561	31

N/M — not meaningful.

SG&A for the three months ended March 31, 2016 of $27.0 million increased by 31% compared to the three months ended March 31, 2015. This increase was primarily driven by higher amortization of intangible assets, compensation and benefits costs and marketing costs, partially offset by lower other costs. The amortization of intangible assets increased due to the acquisitions of RentRange and Investability as well as CastleLine in the second half of 2015 and higher service revenue from the Homeward and ResCap portfolios. Compensation and benefits costs increased primarily due to growth of the sales and marketing organizations to support our revenue and customer diversification initiatives and higher headcount to support certain of our growth initiatives. The increase in marketing costs relates to Owners.com, as we launched our marketing campaign in two geographies in the first quarter of 2016. The decrease in other costs was primarily due to a favorable loss accrual adjustment for the three months ended March 31, 2016.

Income from operations increased to $50.5 million, representing 28% of service revenue, for the three months ended March 31, 2016 compared to $41.6 million, representing 29% of service revenue, for the three months ended March 31, 2015. The decrease in operating income margin is primarily the result of lower gross profit margins and higher SG&A expenses, as discussed above.

Table of Contents

Financial Services

Revenue

Revenue by service line was as follows for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Service revenue:			
Customer relationship management	$10,901	$11,396	(4)
Asset recovery management	9,175	10,917	(16)
Total service revenue	20,076	22,313	(10)
Reimbursable expenses:			
Asset recovery management	28	41	(32)
Total reimbursable expenses	28	41	(32)
Total revenue	$20,104	$22,354	(10)

We recognized service revenue of $20.1 million for the three months ended March 31, 2016, a 10% decrease compared to the three months ended March 31, 2015, primarily due to lower mortgage charge-off collections driven by a decline in referrals.

Certain of our Financial Services businesses are impacted by seasonality. Revenue in the asset recovery management business tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the rest of the year.

Cost of Revenue and Gross Profit

Cost of revenue consists of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$10,870	$10,987	(1)
Outside fees and services	737	697	6
Reimbursable expenses	28	41	(32)
Technology and telecommunications	2,180	2,907	(25)
Depreciation and amortization	443	471	(6)
Cost of revenue	$14,258	$15,103	(6)

Cost of revenue for the three months ended March 31, 2016 of $14.3 million decreased by 6% compared to the three months ended March 31, 2015. The decrease in cost of revenue was primarily due to lower technology and telecommunications costs resulting from the implementation of cost savings initiatives in 2015.

Gross profit decreased to $5.8 million, representing 29% of service revenue, for the three months ended March 31, 2016 compared to $7.3 million, representing 32% of service revenue, for the three months ended March 31, 2015. Gross profit margin decreased primarily due to revenue mix as a higher percentage of the revenue decline was in the higher margin mortgage charge-off collections business.

Table of Contents

Selling, General and Administrative Expenses and Income from Operations

SG&A expenses consist of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$179	$13	N/M
Professional services	368	211	74
Occupancy related costs	1,690	1,895	(11)
Amortization of intangible assets	763	1,127	(32)
Depreciation and amortization	610	579	5
Other	699	890	(21)
Selling, general and administrative expenses	$4,309	$4,715	(9)

N/M — not meaningful.

SG&A for the three months ended March 31, 2016 of $4.3 million decreased by 9% compared to the three months ended March 31, 2015. The decrease is primarily due to the decrease in amortization of intangible assets, driven by lower service revenues from the mortgage charge-off collections services.

Income from operations decreased to $1.5 million, representing 8% of service revenue, for the three months ended March 31, 2016 compared to $2.5 million, representing 11% of service revenue, for the three months ended March 31, 2015. The decrease in operating income as a percentage of service revenue is primarily the result of lower gross profit margins as discussed above.

Technology Services

Revenue

Revenue by service line was as follows for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Service revenue:			
Software services	$29,335	$32,624	(10)
IT infrastructure services	11,312	19,346	(42)
Total revenue	$40,647	$51,970	(22)

We recognized service revenue of $40.6 million for the three months ended March 31, 2016, a 22% decrease compared to the three months ended March 31, 2015. This was primarily driven by a decrease in IT infrastructure services due to the implementation of cost reduction initiatives and the transitioning of resources supporting Ocwen’s technology infrastructure to Ocwen, both of which are typically billed on a cost plus basis. Software services revenue decreased due to lower rates charged to Ocwen for certain services and lower volumes of certain software services.

For segment presentation purposes, revenue from services provided by Technology Services to our other reportable segments is eliminated in consolidation. This intercompany revenue is included as revenue in the Technology Services segment and as technology and telecommunications costs, a component of cost of revenue and SG&A, in our other reportable segments.

Table of Contents

Cost of Revenue and Gross Loss

Cost of revenue consists of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$28,568	$37,534	(24)
Outside fees and services	10	—	N/M
Technology and telecommunications	8,119	10,073	(19)
Depreciation and amortization	5,196	5,116	2
Cost of revenue	$41,893	$52,723	(21)

N/M — not meaningful.

Cost of revenue for the three months ended March 31, 2016 of $41.9 million decreased by 21% compared to the three months ended March 31, 2015. The decrease was primarily due to decreases in compensation and benefits and technology and telecommunications costs as a result of the implementation of cost savings initiatives in 2015. Compensation and benefits costs for the three months ended March 31, 2015 included $2.8 million of severance expense related to the elimination of staff.

Gross loss increased to $(1.2) million, representing (3)% of service revenue, for the three months ended March 31, 2016 compared to $(0.8) million, representing (1)% of service revenue, for the three months ended March 31, 2015 as the decline in revenue exceeded the decline in expenses.

Selling, General and Administrative Expenses and Loss from Operations

SG&A expenses consist of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$564	$878	(36)
Professional services	342	184	86
Occupancy related costs	2,750	3,779	(27)
Amortization of intangible assets	936	1,325	(29)
Depreciation and amortization	747	311	140
Other	1,219	838	45
Selling, general and administrative expenses	$6,558	$7,315	(10)

SG&A for the three months ended March 31, 2016 of $6.6 million decreased by 10% compared to the three months ended March 31, 2015. The decrease was primarily driven by lower occupancy related costs related to facility consolidations during 2015.

Loss from operations decreased to $(7.8) million, representing (19)% of service revenue, for the three months ended March 31, 2016 compared to loss from operations of $(8.1) million, representing (16)% of service revenue, for the three months ended March 31, 2015. Loss from operations as a percentage of service revenue increased primarily due to the increase in gross loss, as discussed above.

Corporate Items and Eliminations

Corporate Items and Eliminations include interest expense, other than temporary impairment loss on HLSS securities and costs related to corporate support functions including executive, finance, law, compliance, human resources, vendor management, risk, sales and marketing cost not allocated to the business units. It also includes eliminations of transactions between the reportable segments.

Corporate costs consist of the following for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Compensation and benefits	$10,178	$11,334	(10)
Professional services	2,328	3,053	(24)
Occupancy related costs	1,451	2,380	(39)
Depreciation and amortization	544	978	(44)
Marketing costs	395	1,302	(70)
Other	884	768	15
Selling, general and administrative expenses	15,780	19,815	(20)
Other expense, net	6,602	10,427	(37)
Total corporate costs	$22,382	$30,242	(26)

Corporate costs for the three months ended March 31, 2016 of $22.4 million decreased by 26% compared to the three months ended March 31, 2015. The decrease was primarily due to lower compensation and benefits, occupancy related and marketing costs as a larger portion of these costs were allocated to the segments and there was lower severance expense for the three months ended March 31, 2016. In addition, we recorded a $3.3 million loss related to an other than temporary impairment of HLSS securities for the three months ended March 31, 2015 with no comparative amount in 2016.

Interest expense for the three months ended March 31, 2016 of $6.5 million decreased by 9% compared to the three months ended March 31, 2015, primarily from 2015 repurchases of $49.0 million of principal amount of our senior secured term loan.

Intercompany revenue that is eliminated in consolidation decreased for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. These intercompany transactions primarily consisted of IT infrastructure services which decreased for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This is consistent with the lower IT infrastructure services revenue described in the Technology Services revenue discussion above. While the expenses are recognized in the Mortgage Services and Financial Services segments above, the elimination of these expenses is reflected in Corporate Items and Eliminations.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flows from operations. We seek to deploy excess cash generated in a disciplined manner. Principally, we intend to use excess cash to develop complementary services and businesses that we believe will generate attractive margins in line with our core capabilities and strategy. We also use cash to repurchase and repay our senior secured term loan and repurchase shares of our common stock. We also consider and evaluate business acquisitions that may arise from time to time that are aligned with our strategy.

For the three months ended March 31, 2016, we used $13.2 million to repurchase Altisource common stock and make a contractual repayment of our senior secured term loan.

Senior Secured Term Loan

On November 27, 2012, Altisource Solutions S.à r.l., a wholly-owned subsidiary of Altisource Portfolio Solutions S.A., entered into a senior secured term loan agreement with Bank of America, N.A., as administrative agent, and certain lenders. Altisource Portfolio Solutions S.A. and certain wholly-owned subsidiaries are guarantors of the term loan. We subsequently amended the senior secured term loan agreement to increase the principal amount of the senior secured term loan and, among other changes, re-establish the $200.0 million incremental term loan facility accordion, lower the interest rate, extend the maturity date by approximately one year and increase the maximum amount of Restricted Junior Payments (as defined in the senior secured term loan agreement; other capitalized terms, unless defined herein, are defined in the senior secured term loan agreement). The lenders of the senior secured term loan, as amended, have no obligation to provide any such additional debt under the accordion provision. As of March 31, 2016, $535.1 million was outstanding under the senior secured term loan agreement, as amended, compared to $536.6 million as of December 31, 2015.

40

Table of Contents

After giving effect to the third amendment entered into on August 1, 2014, the term loan must be repaid in equal consecutive quarterly principal installments of $1.5 million, which commenced on September 30, 2014, with the balance due at maturity. All amounts outstanding under the senior secured term loan agreement will become due on the earlier of (i) December 9, 2020 and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders or as otherwise provided in the loan agreement upon the occurrence of any event of default under the senior secured term loan agreement. However, if the leverage ratio exceeds 3.00 to 1.00, as calculated in accordance with the provisions of the senior secured term loan agreement, a percentage of cash flows must be used to repay principal (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). No mandatory prepayments were required for the three months ended March 31, 2016. The interest rate as of March 31, 2016 was 4.50%.

In April 2016, we repurchased a portion of our senior secured term loan with a par value of $28.0 million at a 13.1% discount. The early extinguishment of a portion of the debt will be recorded in the second quarter of 2016.

The debt covenants in the senior secured term loan agreement limit, among other things, our ability to incur additional debt, pay dividends and repurchase shares of our common stock. In the event we require additional liquidity, our ability to obtain it may be limited by the senior secured term loan.

Cash Flows

The following table presents our cash flows for the three months ended March 31:

(in thousands)	2016	2015	% Increase (decrease)
Net income adjusted for non-cash items	$43,588	$27,043	61
Changes in operating assets and liabilities	(14,554)	(42,981)	66
Net cash flows provided by (used in) operating activities	29,034	(15,938)	N/M
Net cash flows used in investing activities	(35,397)	(33,901)	(4)
Net cash flows used in financing activities	(13,259)	(5,899)	(125)
Net decrease in cash and cash equivalents	(19,622)	(55,738)	65
Cash and cash equivalents at the beginning of the period	179,327	161,361	11
Cash and cash equivalents at the end of the period	$159,705	$105,623	51

N/M — not meaningful.

Cash Flows from Operating Activities

Cash flows from operating activities generally consist of the cash effects of transactions and events that enter into the determination of net income. For the three months ended March 31, 2016, we generated cash flows from operating activities of $29.0 million, or approximately $0.12 for every dollar of service revenue compared to negative cash flows from operating activities of $(15.9) million, or approximately $(0.08) for every dollar of service revenue for the three months ended March 31, 2015. The increase in cash flows from operations for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 is principally driven by higher net income, higher depreciation and amortization and intangible asset amortization, and lower unfavorable working capital changes. Changes in working capital were principally driven by higher collections of accounts receivable and the timing of payment of accounts payable and other accrued expenses, partially offset by higher prepaid expenses and other current assets.

Operating cash flows per service revenue dollar can be negatively impacted because of the nature of some of our services. Certain services are performed immediately following or shortly after the referral, but the collection of the receivable does not occur until a specific event occurs (e.g., the foreclosure is complete, the REO asset is sold, etc.) and our cash flows from operations may be negatively impacted when comparing one interim period to another.

Table of Contents

Cash Flows from Investing Activities

Cash flows from investing activities primarily include capital expenditures and purchases of available for sale securities. For the three months ended March 31, 2016 and 2015, we spent $6.0 million and $3.9 million, respectively, primarily related to investments in IT infrastructure, the development of certain software applications and facility build-outs. Capital expenditures for the three months ended March 31, 2016 increased primarily as a result of higher spending on software applications and facilities. In addition, during the three months ended March 31, 2016, we purchased 2.5 million shares of Residential common stock for $29.4 million, including brokers commissions, in the open market and during the three months ended March 31, 2015, we purchased 1.6 million shares of HLSS common stock for $30.0 million, including brokers commissions, in the open market. The shares of HLSS common stock were sold in the second quarter of 2015.

Cash Flows from Financing Activities

Cash flows from financing activities for the three months ended March 31, 2016 and 2015 include activities associated with share repurchases, debt repayment, stock option exercises and payments to non-controlling interests. During the three months ended March 31, 2016 and 2015, we spent $11.7 million and $4.0 million, respectively, increasing our repurchases of common stock. During each of the three months ended March 31, 2016 and 2015, we used $1.5 million to repay the senior secured term loan. Stock option exercises provided proceeds of $0.4 million and $0.2 million for the three months ended March 31, 2016 and 2015, respectively. Distributions to non-controlling interests were $0.4 million and $0.7 million for the three months ended March 31, 2016 and 2015, respectively.

Liquidity Requirements after March 31, 2016

On September 12, 2014, we acquired certain assets and assumed certain liabilities of Mortgage Builder Software, Inc. (“Mortgage Builder”). The Mortgage Builder purchase agreement provides for the payment of up to $7.0 million in potential additional consideration based on Adjusted Revenue (as defined in the purchase agreement). We have estimated the fair value of the Mortgage Builder potential additional consideration to be $1.8 million as of March 31, 2016. The amount ultimately paid will depend on Mortgage Builder’s Adjusted Revenue in the three consecutive 12-month periods following closing. There have been no payments made related to the first 12-month period following closing.

On November 21, 2014, we acquired certain assets and assumed certain liabilities of Owners Advantage, LLC (“Owners”). The Owners purchase agreement provides for a payment of up to $7.0 million of potential additional consideration based on Adjusted Revenue (as defined in the purchase agreement) earned in the two consecutive 12-month periods following closing. We estimated the fair value of the Owners contingent consideration to be $2.3 million as of March 31, 2016. The amount ultimately paid will depend on Owners’ Adjusted Revenue earned in the two consecutive 12-month periods following closing. There have been no payments made related to the first 12-month period following closing.

On July 17, 2015, we acquired CastleLine. A portion of the purchase consideration totaling $10.5 million is payable to the sellers over four years from the acquisition date, including $3.8 million to be paid to certain of the sellers that is contingent on future employment. As of March 31, 2016, $1.9 million of the $10.5 million that is payable over four years from the acquisition date and none of the $3.8 million purchase consideration that is contingent on future employment has been paid to the sellers.

During the second quarter of 2016, we expect to distribute $0.4 million to the Lenders One members representing non-controlling interests and repay $1.5 million of the senior secured term loan. In April 2016, we repurchased a portion of our senior secured term loan with a par value of $28.0 million at a 13.1% discount.

We believe that we will generate sufficient cash flows from operations to fund capital expenditures and required debt and interest payments for the next 12 months.

Contractual Obligations, Commitments and Contingencies

For the three months ended March 31, 2016, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2015, other than those that occur in the normal course of business. See Note 22 to the interim condensed consolidated financial statements.

Table of Contents

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENT

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. In applying many of these accounting principles, we need to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and judgments, however, are often subjective. Actual results may be negatively affected based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Our critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016. Those policies have not changed during the three months ended March 31, 2016.

Future Adoption of New Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements for a discussion of the future adoption of new accounting pronouncements.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk
Our financial market risk consists primarily of interest rate and foreign currency exchange risk.
Interest Rate Risk
As of March 31, 2016, the interest rate charged on the senior secured term loan was 4.50%. The interest rate is calculated based on the Adjusted Eurodollar Rate (as defined in the senior secured term loan agreement) with a minimum floor of 1.00% plus 3.50%.

Based on the principal amount outstanding at March 31, 2016, a one percentage point increase in the Eurodollar Rate would increase our annual interest expense by approximately $2.3 million, based on the March 31, 2016 Adjusted Eurodollar Rate. There would be no change in our annual interest expense if there was a one percentage point decrease in the Eurodollar Rate.

Foreign Currency Exchange Risk

We are exposed to currency risk from potential changes in currency values of our foreign currency denominated expenses, assets, liabilities and cash flows. Our most significant foreign currency exposure relates to the Indian rupee. Based on expenses incurred in Indian rupees during the three months ended March 31, 2016, a one percentage point increase or decrease in value of the Indian rupee in relation to the United States dollar would increase or decrease our annual expenses by approximately $1.1 million.
Item 4. Controls and Procedures
Management, under the supervision of and with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation and solely because of the previously disclosed material weakness in internal control over financial reporting (see our Annual Report on Form 10-K for the year ended December 31, 2015) related to ineffective controls related to the review of impairment indicators of long-lived assets, including premises and equipment, and the impairment analysis of indefinite-lived assets, primarily goodwill, management concluded that our internal control over financial reporting was not effective as of March 31, 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.
We intend to implement remediation measures to address the above-described material weakness and enhance the Company's internal control over financial reporting related to the review of impairment indicators of long-lived assets and the impairment analysis of indefinite-lived assets by taking the following actions:

- Review the processes related to the impairment assessment of long-lived and indefinite-lived assets
- Enhance review controls relating to the review of impairment indicators of long-lived assets and the impairment analysis of indefinite-lived assets
- Test and evaluate the design and operating effectiveness of the control procedures
- Assess the effectiveness of the remediation plan

As of March 31, 2016, we are preparing our remediation plans, but we do not yet have an expected timetable for the execution and completion of the remediation. We believe the remediation measures will strengthen the Company's internal control over financial reporting related to the review of impairment indicators of long-lived assets and the impairment analysis of indefinite-lived assets and remediate the material weakness identified. We will continue to monitor the effectiveness of these remediation measures and will make any changes and take such other actions that we deem appropriate given the circumstances.

There were no changes in our internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal and administrative proceedings arising in the course of our business. We record a liability for these matters if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

On September 8, 2014, the West Palm Beach Firefighters' Pension Fund filed a putative securities class action suit against Altisource Portfolio Solutions S.A. and certain of its current or former officers and directors in the United States District Court for the Southern District of Florida alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 with regard to disclosures concerning pricing and transactions with related parties that allegedly inflated Altisource Portfolio Solutions S.A. share prices. The Court subsequently appointed the Pension Fund for the International Union of Painters and Allied Trades District Council 35 and the Annuity Fund for the International Union of Painters and Allied Trades District Council 35 as Lead Plaintiffs. On January 30, 2015, Lead Plaintiffs filed an amended class action complaint which added Ocwen Financial Corporation as a defendant, and seeks a determination that the action may be maintained as a class action on behalf of purchasers of Altisource Portfolio Solutions S.A. securities between April 25, 2013 and December 21, 2014 and an unspecified amount of damages. Altisource Portfolio Solutions S.A. moved to dismiss the suit on March 23, 2015. On September 4, 2015, the Court granted the defendants' motion to dismiss, finding that the Lead Plaintiffs' amended complaint failed to state a claim as to any of the defendants, but permitting the Lead Plaintiffs to file another amended complaint. Lead Plaintiffs subsequently filed second and third amended complaints with substantially similar claims and theories. Altisource Portfolio Solutions S.A. moved to dismiss the third amended complaint on October 22, 2015. On December 22, 2015, the Court issued an order dismissing with prejudice all claims against Ocwen Financial Corporation and certain claims against Altisource Portfolio Solutions S.A. and the officer and director defendants, but denying the motion to dismiss as to other claims. Altisource Portfolio Solutions S.A. intends to continue to vigorously defend this suit.

On February 11, 2015, W.A. Sokolowski, an alleged shareholder of Ocwen Financial Corporation, filed an amended shareholder derivative complaint in the United States District Court for the Southern District of Florida against Ocwen Financial Corporation (as a nominal defendant), certain of its current or former officers and directors, Altisource Portfolio Solutions S.A. and other companies. The suit seeks recovery of an unspecified amount of damages for alleged breaches of fiduciary duty by Ocwen Financial Corporation's officers and directors, which were allegedly aided and abetted by Altisource Portfolio Solutions S.A. and other defendants. Altisource Portfolio Solutions S.A. filed a motion to dismiss the complaint on November 9, 2015. While that motion was pending, additional lawsuits alleging similar claims for alleged breaches of fiduciary duties by current or former Ocwen Financial Corporation officers and directors were filed in or transferred to the Court. The Court subsequently consolidated these actions and denied Altisource Portfolio Solutions S.A.'s motion to dismiss the Sokolowski complaint without prejudice to re-file following appointment of lead counsel for the consolidated action and the filing or designation of an operative complaint. Lead counsel for plaintiffs filed their Consolidated Verified Shareholder Derivative Complaint (the "Consolidated Complaint") on March 8, 2016. The Consolidated Complaint alleges claims that Altisource Portfolio Solutions S.A., its subsidiary Beltline Road Insurance Agency, Inc. and other defendants aided and abetted alleged breaches of fiduciary duties by Ocwen Financial Corporation officers and directors and/or were unjustly enriched in connection with business dealings with Ocwen Financial Corporation. The Consolidated Complaint also seeks contribution from Altisource Portfolio Solutions S.A., its subsidiary Beltline Road Insurance Agency, Inc. and other defendants for amounts Ocwen Financial Corporation paid in connection with a settlement with the New York State Department of Financial Services. The current deadline for defendants to respond to the Consolidated Complaint is May 13, 2016. Altisource Portfolio Solutions S.A. and Beltline Road Insurance Agency, Inc. intend to vigorously defend the lawsuit and to move to dismiss all claims against them.

On March 26, 2015, Robert Moncavage, an alleged shareholder of Ocwen Financial Corporation, filed an amended shareholder derivative complaint in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida against Ocwen Financial Corporation (as a nominal defendant), certain of its current or former officers and directors, Altisource Portfolio Solutions S.A. and other companies. The suit seeks recovery of an unspecified amount of damages for alleged breaches of fiduciary duties by the current or former Ocwen Financial Corporation officers and directors, which were allegedly aided and abetted by Altisource Portfolio Solutions S.A. and other defendants. On November 9, 2015, the Court entered an order staying all proceedings in the case pending further order of the Court. If the litigation proceeds, Altisource Portfolio Solutions S.A. intends to vigorously defend the lawsuit and to move to dismiss all claims against it.

Altisource is unable to predict the outcomes of these lawsuits or reasonably estimate the potential loss, if any, arising from the suits, given that the forthcoming motions to dismiss in the second and third cases have not yet been adjudicated, a stay has been entered in the third case and significant legal and factual issues remain to be determined in all three cases.

45

Table of Contents

In addition to the matters referenced above, we are involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to our repurchases of our equity securities during the three months ended March 31, 2016:

Period	Total number of shares purchased[1]	Weighted average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[2]	Maximum number of shares that may yet be purchased under the plans or programs[2]
Common stock:				
January 1 — 31, 2016	181,296	$ 27.58	181,296	1,250,284
February 1 — 29, 2016	—	—	—	1,250,284
March 1 — 31, 2016	282,642	23.62	282,642	967,642
	463,938	$ 25.17	463,938	967,642

(1) May include shares withheld from employees to satisfy tax withholding obligations that arose from the exercise of stock options.

(2) On May 20, 2015, our shareholders authorized a new share repurchase program that replaces the prior program and authorizes us to purchase up to 3.0 million shares of our common stock in the open market.

Table of Contents

Item 6. Exhibits

*31.1	Section 302 Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)
*31.2	Section 302 Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)
*32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016 is formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets at March 31, 2016 and December 31, 2015; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2016 and 2015; (iii) Condensed Consolidated Statements of Equity for the three months ended March 31, 2016 and 2015; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015; and (v) Notes to Condensed Consolidated Financial Statements.

*Filed herewith

Table of Contents

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 thereunto duly authorized.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Registrant)

Date:	April 28, 2016	By:	/s/ Michelle D. Esterman
			Michelle D. Esterman
			Chief Financial Officer
			(On behalf of the Registrant and as its Principal Financial Officer)