

Edgar Filing: EATON VANCE CORP - Form 8-K

EATON VANCE CORP  
Form 8-K  
May 18, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 18, 2005  
-----

EATON VANCE CORP.  
-----

(Exact name of registrant as specified in its charter)

Maryland ----- (State or other jurisdiction of incorporation)	1-8100 ----- (Commission File Number)	04-2718215 ----- (IRS Employer Identification No.)
255 State Street, Boston, Massachusetts ----- (Address of principal executive offices)		02109 ----- (Zip Code)

Registrant's telephone number, including area code: (617) 482-8260  
-----

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. below):

- 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))

Page 1 of 10

INFORMATION INCLUDED IN THE REPORT

Edgar Filing: EATON VANCE CORP - Form 8-K

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Registrant has reported its results of operations for the six months ended April 30, 2005, as described in Registrant's news release dated May 18, 2005, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

Exhibit No.	Document
99.1	Press release issued by the Registrant dated May 18, 2005.

Page 2 of 10

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.

EATON VANCE CORP.  
(Registrant)

Date: May 18, 2005 /s/ William M. Steul  
William M. Steul, Chief Financial Officer

Page 3 of 10

EXHIBIT INDEX

Each exhibit is listed in this index according to the number assigned to it in the exhibit table set forth in Item 601 of Regulation S-K. The following exhibit is filed as part of this Report:

Exhibit No.	Description
99.1	Copy of Registrant's news release dated May 18, 2005.

Page 4 of 10

EXHIBIT 99.1

NEWS RELEASE

{LOGO} Eaton Vance Corp.  
The Eaton Vance Building  
255 State Street, Boston, MA 02109  
(617) 482-8260  
Contact: William M. Steul

May 18, 2005

# Edgar Filing: EATON VANCE CORP - Form 8-K

FOR IMMEDIATE RELEASE

EATON VANCE CORP.  
REPORT FOR THE THREE MONTHS AND SIX MONTHS ENDED  
APRIL 30, 2005

BOSTON, MA--Eaton Vance Corp. reported diluted earnings per share of \$0.27 in the second quarter of fiscal 2005 compared to diluted earnings per share of \$0.25 in the second quarter of fiscal 2004, an increase of 8 percent. Eaton Vance earned \$0.53 per diluted share in the first six months of fiscal 2005, an increase of 15 percent compared to earnings of \$0.46 per diluted share in the first six months of fiscal 2004.

Assets under management of \$98.8 billion at the end of the second quarter of fiscal 2005 were \$13.7 billion or 16 percent greater than the \$85.1 billion at the end of the second fiscal quarter last year. In the 12-month period ended April 30, 2005, the Company's assets under management were positively affected by long-term fund and separate account net inflows of \$9.3 billion, market price appreciation of \$2.6 billion and \$1.9 billion of separate accounts acquired from Deutsche Bank in July 2004. Gross sales and inflows of long-term funds and separate accounts in the last 12 months were \$24.0 billion, including five new closed-end funds that raised a total of \$3.8 billion.

Fund and separate account net inflows of \$2.1 billion in the second quarter of fiscal 2005 compared to net inflows of \$2.3 billion in the second quarter of fiscal 2004. This year's second quarter net inflows included \$1.0 billion raised in two closed-end fund offerings: Eaton Vance Short Duration Diversified Income Fund offered in February, Eaton Vance Tax-Managed Buy-Write Income Fund offered in April and the over-allotment shares from Eaton Vance Enhanced Equity Income Fund II offered in January. Last year's second quarter benefited from closed-end fund inflows of \$1.1 billion that included the offering of Eaton Vance Tax Advantaged Global Dividend Opportunities Fund and the over-allotment common and preferred shares related to Eaton Vance Tax-Advantaged Global Dividend Income Fund offered in January 2004. Excluding closed-end funds, net flows for Eaton Vance funds were \$0.9 billion in the second quarter of fiscal 2005 compared to \$0.7 billion in the second quarter of fiscal 2004.

Page 5 of 10

The Company experienced institutional and high-net-worth separate account net outflows of \$0.4 billion in the second quarter of fiscal 2005 compared to net inflows of \$0.3 billion in the second quarter of fiscal 2004, primarily because of management turnover at a subsidiary and portfolio rebalancing by certain institutional clients. Retail managed account net inflows, however, increased by over 200 percent to \$0.5 billion in the second quarter of fiscal 2005 compared to the same period last year. Tables 1-4 (attached) provide more details on assets under management and asset flows.

As a result of higher average assets under management, revenue in the second quarter of fiscal 2005 increased by \$17.2 million or 10 percent to \$182.5 million compared to revenue in the second quarter of fiscal 2004 of \$165.3 million. Investment adviser and administration fees increased 20 percent to \$121.4 million, compared to the 17 percent increase in average assets under management. Distribution and underwriter fees decreased 15 percent, reflecting the continuing shift in sales and assets from class B mutual fund shares to other fund share classes and other managed assets with low or no distribution fees. Service fee revenue increased 9 percent due to the increase in average fund assets that pay these fees. Other revenue increased 49 percent primarily as

## Edgar Filing: EATON VANCE CORP - Form 8-K

a result of investment income earned by two consolidated investment companies.

Operating expenses increased 11 percent in the second quarter of fiscal 2005 to \$121.1 million compared to operating expenses of \$109.1 million in the second quarter of fiscal 2004, because of higher compensation, service fee, distribution and other expenses. Compensation expense increased 19 percent because of increases in employee headcount, separately managed account incentive compensation and higher operating income-based bonus accruals.

Amortization of deferred sales commissions declined 23 percent in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 primarily because of the continuing decline in class B share sales and assets under management. Service fee expense increased 9 percent, in line with the increase in service fee revenue. Distribution expense increased 18 percent as a result of increases in class C share fund distribution fees and closed-end fund fees. Other expense increased 38 percent primarily because of higher fund expenses, facilities, information technology, legal, audit, compliance, recruiting and other miscellaneous expenses.

Operating income increased 9 percent to \$61.5 million and net income increased 7 percent to \$37.6 million in the second quarter of fiscal 2005, compared to \$56.2 million and \$35.2 million, respectively, in the second quarter of fiscal 2004. Interest income increased 60 percent because of higher interest earned on cash and short-term investments. Interest expense decreased \$1.0 million or 73 percent, reflecting a \$44.7 million reduction in long-term debt. The Company recognized a \$1.8 million impairment loss on its equity in a collateralized debt obligation fund on April 30, 2005. The Company's effective tax rate, before minority interest and equity in net income of affiliates, was 36.3 percent in the second quarter of fiscal 2005 and 35.3 percent in the second quarter of fiscal 2004.

Cash, cash equivalents and short-term investments were \$284.8 million on April 30, 2005, and \$308.3 million, including \$47.1 million of minority shareholder investments in a consolidated investment company on April 30, 2004. In April 2005, because of the fund's overall growth, the Company became a minority investor in the Eaton Vance Short-Term Income Fund and discontinued consolidating the fund in its financial statements.

Page 6 of 10

The Company's strong operating cash flow in the last 12 months allowed it to reduce its long-term debt by \$44.7 million to \$74.9 million and to pay \$77.8 million in income taxes, \$51.1 million in sales commissions, \$115.3 million to repurchase 5.2 million shares of its non-voting common stock and \$39.4 million in dividends to shareholders. There are currently no outstanding borrowings against the Company's \$180 million credit facility.

During the first six months of fiscal 2005, the Company repurchased and retired 2,982,077 shares of its non-voting common stock at an average price of \$24.53 per share under its current and prior repurchase authorizations. Approximately 7.7 million shares remain of the current 8.0 million share authorization.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.

This news release contains statements that are not historical facts, referred to as "forward-looking statements." The Company's actual future results may differ significantly from those stated in any forward-looking statements, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and repurchases of fund shares, the continuation of investment advisory, administration, distribution and service contracts, and other risks discussed from time to time in the Company's filings with the

# Edgar Filing: EATON VANCE CORP - Form 8-K

Securities and Exchange Commission.

Page 7 of 10

Eaton Vance Corp.  
Summary of Results of Operations  
(in thousands, except per share amounts)

	Three Months Ended			S
	April 30, 2005	April 30, 2004	%	
			Change	
<b>Revenue:</b>				
Investment adviser and administration fees	\$ 121,361	\$ 101,162	20 %	\$ 2
Distribution and underwriter fees	33,809	39,637	(15)	
Service fees	25,139	23,017	9	
Other revenue	2,195	1,475	49	
	-----	-----	-----	-----
Total revenue	182,504	165,291	10	3
	-----	-----	-----	-----
<b>Expenses:</b>				
Compensation of officers and employees	43,914	36,793	19	
Amortization of deferred sales commissions	16,907	21,869	(23)	
Service fee expense	20,594	18,879	9	
Distribution expense	23,194	19,695	18	
Other expenses	16,445	11,880	38	
	-----	-----	-----	-----
Total expenses	121,054	109,116	11	2
	-----	-----	-----	-----
Operating Income	61,450	56,175	9	1
	-----	-----	-----	-----
<b>Other Income/(Expense):</b>				
Interest income	1,057	661	60	
Interest expense	(371)	(1,364)	(73)	
Gain (loss) on investments	77	(83)	n/a	
Foreign currency gain (loss)	3	(29)	n/a	
Impairment loss on investments	(1,840)	-	n/a	
	-----	-----	-----	-----
Income Before Income Taxes, Minority Interest and Equity in Net Income (Loss) of Affiliates	60,376	55,360	9	1
	-----	-----	-----	-----
Income Taxes	21,911	19,559	12	
	-----	-----	-----	-----
Minority Interest	1,208	1,031	17	
	-----	-----	-----	-----
Equity in Net Income (Loss) of Affiliates, Net of Tax	370	399	(7)	
	-----	-----	-----	-----
Net Income	\$ 37,627	\$ 35,169	7	\$
	=====	=====	=====	=====
<b>Earnings Per Share:</b>				
Basic	\$ 0.28	\$ 0.26	8	\$
	=====	=====	=====	=====
Diluted	\$ 0.27	\$ 0.25	8	\$
	=====	=====	=====	=====
Dividends Declared, Per Share	\$ 0.08	\$ 0.06	33	\$
	=====	=====	=====	=====
<b>Weighted Average Shares Outstanding:</b>				
Basic	132,121	135,533	(3)	1

Edgar Filing: EATON VANCE CORP - Form 8-K

Diluted	=====	=====	=====	=====
	142,176	145,391	(2)	1
	=====	=====	=====	=====

Page 8 of 10

Eaton Vance Corp.  
Balance Sheet  
(in thousands, except per share figures)

	April 30, 2005	October 31, 2004	April 30, 2004
	-----	-----	-----
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 158,814	\$ 147,137	\$ 152,7
Short-term investments	125,953	210,429	155,6
Investment adviser fees and other receivables	32,506	32,249	28,7
Other current assets	6,217	4,861	25,8
	-----	-----	-----
Total current assets	323,490	394,676	362,9
	-----	-----	-----
Other Assets:			
Deferred sales commissions	140,028	162,259	182,3
Goodwill	89,281	89,281	89,2
Other intangible assets, net	41,537	43,965	44,9
Long-term investments	40,071	36,895	37,8
Equipment and leasehold improvements, net	12,224	12,413	12,2
Other assets	4,416	4,077	2,9
	-----	-----	-----
Total other assets	327,557	348,890	369,6
	-----	-----	-----
Total assets	\$ 651,047	\$ 743,566	\$ 732,5
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Accrued compensation	\$ 32,628	\$ 52,299	\$ 26,9
Accounts payable and accrued expenses	24,078	23,789	21,2
Dividend payable	10,506	10,660	8,0
Other current liabilities	9,144	7,451	7,3
	-----	-----	-----
Total current liabilities	76,356	94,199	63,6
	-----	-----	-----
Long-Term Liabilities:			
Long-term debt	74,900	74,347	119,6
Deferred income taxes	49,617	57,644	65,6
	-----	-----	-----
Total long-term liabilities	124,517	131,991	185,2
	-----	-----	-----
Total liabilities	200,873	226,190	248,9
	-----	-----	-----
Minority interest	4,472	67,870	51,5
	-----	-----	-----
Commitments and contingencies	-	-	-
	-----	-----	-----
Shareholders' Equity:			
Common stock, par value \$0.00390625 per share:			

Edgar Filing: EATON VANCE CORP - Form 8-K

Authorized, 1,280,000 shares			
Issued, 309,760 shares	1	1	
Non-voting common stock, par value \$0.00390625 per share:			
Authorized, 190,720,000 shares			
Issued, 131,565,793, 133,271,560 and 135,000,810 shares, respectively	513	521	5
Notes receivable from stock option exercises	(2,862)	(2,718)	(2,8
Deferred compensation	(3,000)	(2,400)	(3,2
Accumulated other comprehensive income	1,996	1,854	1,6
Retained earnings	449,054	452,248	435,9
	-----	-----	-----
Total shareholders' equity	445,702	449,506	432,1
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 651,047	\$ 743,566	\$ 732,5
	=====	=====	=====

Page 9 of 10

Table 1  
Asset Flows (in millions)  
Twelve Months Ended April 30, 2005

Assets 4/30/2004 - beginning of period	\$ 85,093
Long-term fund sales and inflows	17,993
Long-term fund redemptions and outflows	(9,573)
Long-term fund net exchanges	(64)
Long-term fund mkt. value change	1,143
Institutional and HNW account inflows	3,269
Institutional and HNW account outflows	(3,778)
Institutional and HNW assets acquired	1,943
Retail managed account inflows	2,694
Retail managed account outflows	(1,344)
Separate account mkt. value change	1,471
Change in money market funds	(79)
	-----
Net change	13,675
	-----
Assets 4/30/2005 - end of period	\$ 98,768
	=====

Table 2  
Assets Under Management  
By Investment Objective (in millions)

	April 30, 2005	October 31, 2004	% Change	April 30, 2004	% Change
	-----	-----	-----	-----	-----
Equity funds	\$ 39,104	\$ 36,895	6%	\$ 34,539	13%
Fixed income funds	17,958	17,553	2%	17,649	2%
Bank loan funds	16,416	15,034	9%	11,791	39%
Money market funds	307	389	-21%	386	-20%
Separate accounts	24,983	24,475	2%	20,728	21%
	-----	-----	-----	-----	-----
Total	\$ 98,768	\$ 94,346	5%	\$ 85,093	16%
	=====	=====	=====	=====	=====

Edgar Filing: EATON VANCE CORP - Form 8-K

Table 3  
Asset Flows by Investment Objective (in millions)

	Three Months Ended		Six Months Ended	
	April 30, 2005	April 30, 2004	April 30, 2005	April 30, 2004
Equity fund assets - beginning of period	\$ 39,329	\$ 33,214	\$ 36,895	\$ 28,814
Sales/inflows	1,705	2,276	3,762	5,111
Redemptions/outflows	(1,191)	(868)	(2,185)	(1,411)
Exchanges	11	42	30	(1)
Market value change	(750)	(125)	602	1,111
Net change	(225)	1,325	2,209	4,800
Equity assets - end of period	\$ 39,104	\$ 34,539	\$ 39,104	\$ 33,614
Fixed income fund assets - beginning of period	17,710	18,252	17,553	17,710
Sales/inflows	1,146	663	1,825	1,146
Redemptions/outflows	(603)	(689)	(1,187)	(603)
Exchanges	(37)	(61)	(47)	(37)
Market value change	(258)	(516)	(186)	(258)
Net change	248	(603)	405	(352)
Fixed income assets - end of period	\$ 17,958	\$ 17,649	\$ 17,958	\$ 17,358
Bank loan fund assets - beginning of period	15,558	11,180	15,034	9,180
Sales/inflows	1,709	1,215	2,892	3,034
Redemptions/outflows	(783)	(737)	(1,498)	(1,180)
Exchanges	3	40	(4)	(3)
Market value change	(71)	93	(8)	(71)
Net change	858	611	1,382	1,773
Bank loan assets - end of period	\$ 16,416	\$ 11,791	\$ 16,416	\$ 10,953
Long-term fund assets - beginning of period	72,597	62,646	69,482	56,646
Sales/inflows	4,560	4,154	8,479	10,154
Redemptions/outflows	(2,577)	(2,294)	(4,870)	(3,034)
Exchanges	(23)	21	(21)	(23)
Market value change	(1,079)	(548)	408	1,079
Net change	881	1,333	3,996	7,176
Total long-term fund assets - end of period	\$ 73,478	\$ 63,979	\$ 73,478	\$ 63,822
Separate accounts - beginning of period	25,087	20,529	24,475	18,529
Institutional/HNW account inflows	767	793	1,479	1,146
Institutional/HNW account outflows	(1,140)	(467)	(2,577)	(1,140)
Retail managed account inflows	895	522	1,722	1,146
Retail managed account outflows	(421)	(366)	(866)	(421)
Separate accounts market value change	(205)	(283)	750	(205)
Net change	(104)	199	508	2,362
Separate accounts - end of period	\$ 24,983	\$ 20,728	\$ 24,983	\$ 20,891
Money market fund assets - end of period	307	386	307	386

Edgar Filing: EATON VANCE CORP - Form 8-K

Total assets under management - end of period	\$ 98,768	\$ 85,093	\$ 98,768	\$ 85,093
---	-----------	-----------	-----------	-----------

Table 4  
Long-Term Fund and Separate Account Net Flows

	Three Months Ended		Six Months Ended	
	April 30, 2005	April 30, 2004	April 30, 2005	April 30, 2004
Long-term funds:				
Closed-end funds	\$ 1,042	\$ 1,138	\$ 1,909	\$ 4,323
Open-end and other funds	941	722	1,700	2,059
Institutional/HNW accounts	(373)	326	(1,098)	1,090
Retail managed accounts	474	156	856	451
Total net flows	\$ 2,084	\$ 2,342	\$ 3,367	\$ 7,923

1 Deutsche Bank's Scudder Private Investment Counsel assets acquired by Eaton Vance in July 2004