

Edgar Filing: EATON VANCE CORP - Form 8-K

EATON VANCE CORP
Form 8-K
February 25, 2004

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): February 25, 2004

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

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

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

Page 1 of 10

INFORMATION INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE
ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Registrant has reported its results of operations for the three months ended January 31, 2004, as described in Registrant's news release dated February 25, 2004, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

This information is being filed pursuant to Item 5. Other Events and Required FD Disclosure and is being provided under Item 12. Results of Operations and Financial Condition.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

Exhibit No.	Document
-----	-----

Edgar Filing: EATON VANCE CORP - Form 8-K

99.1 Press release issued by the Registrant dated February 25, 2004.

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: February 25, 2004 /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 February 25, 2004.

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

February 25, 2004

FOR IMMEDIATE RELEASE

EATON VANCE CORP.
REPORT FOR THE THREE MONTHS ENDED
JANUARY 31, 2004

BOSTON, MA--Eaton Vance Corp. reported diluted earnings per share of \$0.44 in the first three months of fiscal 2004 compared to diluted earnings per share of \$0.37 in the first three months of fiscal 2003, an increase of 19 percent.

Edgar Filing: EATON VANCE CORP - Form 8-K

Assets under management of \$83.6 billion at the end of the first quarter of fiscal 2004 were \$27.9 billion or 50 percent greater than the \$55.8 billion at the end of the first fiscal quarter last year. In the 12-month period ended January 31, 2004, the Company's assets under management were positively affected by long-term fund and separate account net inflows of \$12.6 billion, the acquisition of Parametric Portfolio Associates, which added assets of \$5.3 billion at the close of the transaction on September 10, 2003, and market price appreciation of \$10.2 billion. Gross sales and inflows of long-term funds and separate accounts in the last 12 months were \$21.2 billion, including four successful closed-end fund offerings that raised a total of \$7.5 billion of assets.

Net fund and separate account inflows of \$5.6 billion in the first quarter of fiscal 2004 compared to net inflows of \$1.3 billion in the first fiscal quarter last year. This year's net inflows benefited from the successful offering of two closed-end funds, Eaton Vance Senior Floating-Rate Trust and Eaton Vance Tax-Advantaged Global Dividend Income Fund, which added \$2.4 billion of new assets during the quarter. Tables 1, 2 and 3 (attached) summarize assets under management and asset flows by investment objective.

As a result of higher average assets under management, fiscal 2004 first quarter revenue increased by \$32.0 million or 26 percent to \$157.0 million compared to fiscal 2003 first quarter revenue of \$124.9 million. Investment adviser and administration fees increased 36 percent to \$93.8 million, in line with the increase in average assets under management. Average assets under management increased 40 percent to \$78.9 billion in the first quarter from \$56.3 billion in the first quarter last year. Distribution and underwriter fees increased 8 percent, reflecting an increase in Class B and C share and private fund assets under management and an increase in Class A share underwriter commissions. Service fee revenue increased 22 percent, consistent with the increase in average Class A, B, C, D share and private fund assets that pay these fees. Other revenue increased 55 percent primarily as a result of consolidating two investment companies in which Eaton Vance is the majority shareholder.

Page 5 of 10

Fiscal first quarter 2004 operating expenses increased 23 percent to \$106.9 million compared to \$86.5 million of operating expenses in fiscal first quarter 2003 primarily because of higher compensation, service fee and distribution expenses. Compensation expense increased 42 percent principally due to marketing incentives associated with sales of the two new closed-end funds, increases in sales of the Company's continuously offered funds and retail managed accounts, the inclusion of Parametric Portfolio Associates' employee compensation and higher operating income-based bonus accruals.

Amortization of deferred sales commissions declined 3 percent in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. Service fee expense increased 22 percent, in line with the increase in service fee revenue. Eaton Vance collects asset-based service fees from many of its funds and pays them to the appropriate broker/dealers after one year. Distribution expense increased 51 percent as a result of increases in sales support expenses, certain Class A share fund sales commissions, Class C share fund distribution fees and closed-end fund fees. Other expenses increased 1 percent primarily because of higher travel, facilities, information technology, legal, recruiting and consulting expenses offset by lower fund related expenses.

Fiscal first quarter 2004 operating income increased 31 percent to \$50.1 million and net income increased 19 percent to \$30.8 million over the first fiscal quarter of 2003. Interest income declined by \$0.7 million, or 49 percent, primarily because of lower short-term interest rates and the inclusion of interest income from two consolidated investment companies in other revenue.

Edgar Filing: EATON VANCE CORP - Form 8-K

Interest expense increased 15 percent, reflecting \$0.2 million of interest accrued in conjunction with settlement of the Company's IRS audits of fiscal years 1999 and 2000. The first quarter of fiscal 2003 included a \$1.9 million gain on investments. The Company's provision for income taxes was 36 percent in the first quarter of fiscal 2004 and 35 percent in the first quarter of fiscal 2003.

Cash, cash equivalents and short-term investments were \$262.6 million on January 31, 2004, \$242.8 million on October 31, 2003 and \$209.5 million on January 31, 2003. The Company's strong operating cash flow in the last 12 months allowed it to reduce its long-term debt by \$5.4 million to \$126.3 million and to pay \$72.2 million in income taxes, \$70.6 million in sales commissions, \$57.7 million to repurchase 1.7 million shares of its non-voting common stock and \$27.5 million in dividends to shareholders. There are no outstanding borrowings against the Company's \$170.0 million credit facility. The Company has sufficient cash and short-term investments to repurchase a subsidiary's \$119.5 million of convertible notes in the event investors choose to redeem them on the third anniversary put date, August 13, 2004.

The increases in other current assets and deferred income taxes resulted primarily from a recent change in IRS regulations allowing mutual fund sponsors to deduct Class B share sales commissions when paid. These commissions were previously capitalized and amortized for tax purposes.

During the first three months of fiscal 2004, the Company repurchased and retired 614,000 shares of its non-voting common stock at an average price of \$36.24 per share, under its repurchase authorization. Approximately 3.2 million shares remain of the current 4.0 million- share authorization.

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

Page 6 of 10

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 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		
	January 31, 2004	January 31, 2003	% Change
Revenue:			
Investment adviser and administration fees	\$ 93,750	\$ 69,074	36%
Distribution and underwriter fees	39,876	37,005	8
Service fees	21,909	17,925	22
Other revenue	1,438	930	55

Edgar Filing: EATON VANCE CORP - Form 8-K

Total revenue	156,973	124,934	26
Expenses:			
Compensation of officers and employees	37,499	26,403	42
Amortization of deferred sales commissions	20,763	21,394	(3)
Service fee expense	18,632	15,273	22
Distribution expense	18,779	12,419	51
Other expenses	11,197	11,057	1
Total expenses	106,870	86,546	23
Operating Income	50,103	38,388	31
Other Income/(Expense):			
Interest income	788	1,531	(49)
Interest expense	(1,651)	(1,433)	15
Gain on investments	5	1,874	(100)
Foreign currency loss	(18)	(95)	n/a
Equity in net income (loss) of affiliates	15	(226)	n/a
Income Before Income Taxes and Minority Interest	49,242	40,039	23
Income Taxes	17,727	14,013	27
Minority Interest, Net of Tax	702	117	500
Net Income	\$ 30,813	\$ 25,909	19
Earnings Per Share:			
Basic	\$ 0.45	\$ 0.37	22
Diluted	\$ 0.44	\$ 0.37	19
Dividends Declared, Per Share	\$ 0.12	\$ 0.08	50
Weighted Average Shares Outstanding:			
Basic	68,196	69,163	(1)
Diluted	70,336	70,495	(0)

Page 8 of 10

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

	January 31, 2004	October 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 132,105	\$ 138,320
Short-term investments	130,527	104,480
Investment adviser fees and other receivables	30,116	25,920
Other current assets	23,744	3,580

Edgar Filing: EATON VANCE CORP - Form 8-K

Total current assets	316,492	272,31
Other Assets:		
Deferred sales commissions	191,228	199,32
Goodwill	88,979	88,87
Other intangible assets, net	45,680	46,19
Long-term investments	37,891	36,49
Equipment and leasehold improvements, net	11,925	12,41
Other assets	3,010	3,09
Total other assets	378,713	386,38
Total assets	\$ 695,205	\$ 658,70
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accrued compensation	\$ 15,892	\$ 35,33
Accounts payable and accrued expenses	20,717	23,82
Dividend payable	8,157	8,18
Current portion of long-term debt	7,143	7,14
Other current liabilities	6,860	8,30
Total current liabilities	58,769	82,79
Long-Term Liabilities:		
Long-term debt	119,180	118,73
Deferred income taxes	67,401	33,20
Total long-term liabilities	186,581	151,93
Total liabilities	245,350	234,73
Minority interest	26,165	7,69
Commitments and contingencies	-	
Shareholders' Equity:		
Common stock, par value \$0.0078125 per share:		
Authorized, 640,000 shares		
Issued, 154,880 shares	1	
Non-voting common stock, par value \$0.0078125 per share:		
Authorized, 95,360,000 shares		
Issued, 67,993,447, 68,250,464 and 69,115,168 shares, respectively	531	53
Notes receivable from stock option exercises	(3,034)	(2,99)
Deferred compensation	(3,600)	(1,00)
Accumulated other comprehensive income	1,813	1,24
Retained earnings	427,979	418,49
Total shareholders' equity	423,690	416,27
Total liabilities and shareholders' equity	\$ 695,205	\$ 658,70

Edgar Filing: EATON VANCE CORP - Form 8-K

Asset Flows (in millions)
Twelve Months Ended January 31, 2004

Assets 1/31/2003 - Beginning of Period	\$ 55,750
Long-term fund sales and inflows	17,423
Long-term fund redemptions and outflows	(6,518)
Long-term fund net exchanges	(63)
Long-term fund mkt. value change	6,828
Long-term fund assets acquired 1	660
Institutional and HNW account inflows	2,585
Institutional and HNW account outflows	(1,542)
Institutional and HNW assets acquired 1	2,772
Retail managed account inflows	1,159
Retail managed account outflows	(520)
Retail managed account assets acquired 1	1,850
Separate account mkt. value change	3,350
Change in money market funds	(90)

Net change	27,894

Assets 1/31/2004 - End of Period	\$ 83,644
	=====

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

	January 31, 2004	October 31, 2003	% Change	January 31, 2003	% Change
Equity Funds	\$ 33,215	\$ 28,854	15.1%	\$ 22,401	48.3%
Fixed Income Funds	18,252	17,801	2.5%	14,601	25.0%
Bank Loan Funds	11,180	9,547	17.1%	7,308	53.0%
Money Market Funds	469	445	5.4%	559	-16.1%
Separate Accounts	20,528	18,397	11.6%	10,881	88.7%

Total	\$ 83,644	\$ 75,044	11.5%	\$ 55,750	50.0%
	=====				

Table 3
Asset Flows by Investment Objective (in millions)

	Three Months Ended January 31, 2004
Equity Fund Assets - Beginning of Period	\$ 28,854
Sales and inflows	3,445
Redemptions and outflows	(700)
Exchanges	51
Market value change	1,565

Net change	4,361

Equity Fund Assets - End of Period	\$ 33,215

Edgar Filing: EATON VANCE CORP - Form 8-K

Fixed Income Fund Assets - Beginning of Period	17,801
Sales and inflows	728
Redemptions and outflows	(553)
Exchanges	(89)
Market value change	365

Net change	451

Fixed Income Fund Assets - End of Period	\$ 18,252

Bank Loan Fund Assets - Beginning of Period	9,547
Sales and inflows	1,983
Redemptions and outflows	(378)
Exchanges	32
Market value change	(4)

Net change	1,633

Bank Loan Fund Assets - End of Period	\$ 11,180

Long-Term Fund Assets - Beginning of Period	56,202
Sales and inflows	6,156
Redemptions and outflows	(1,631)
Exchanges	(6)
Market value change	1,926

Net change	6,445

Total Long-Term Fund Assets - End of Period	\$ 62,647

Separate Accounts - Beginning of Period	18,397
Institutional and HNW account inflows	1,097
Institutional and HNW account outflows	(332)
Retail managed account inflows	504
Retail managed account outflows	(210)
Separate accounts market value change	1,072

Net change	2,131

Separate accounts - End of Period	\$ 20,528

Money market fund assets - End of Period	469

Total Assets Under Management - End of Period	\$ 83,644
	=====

1 Parametric Portfolio Associates acquired by Eaton Vance on September 10, 2003