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EATON VANCE CORP  
Form 8-K  
August 20, 2003

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): August 20, 2003  
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EATON VANCE CORP.  
-----

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (617) 482-8260  
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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 July 31, 2003, as described in Registrant's news release dated August 20, 2003, 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.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

| Exhibit No.<br>----- | Document<br>-----   |
|----------------------|---|
| 99.1                 | Press release issued by the Registrant dated August 20, 2003. |

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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: August 20, 2003  
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/s/ William M. Steul  
-----  
William M. Steul, Chief Financial Officer

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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.<br>----- | Description<br>-----                                     |
|----------------------|--|
| 99.1                 | Copy of Registrant's news release dated August 20, 2003. |

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EXHIBIT 99.1

-----  
NEWS RELEASE  
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{LOGO} Eaton Vance Corp.  
The Eaton Vance Building  
255 State Street, Boston, MA 02109  
(617) 482-8260  
Contact: William M. Steul  
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# Edgar Filing: EATON VANCE CORP - Form 8-K

August 20, 2003

FOR IMMEDIATE RELEASE  
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EATON VANCE CORP.  
REPORT FOR THE THREE MONTHS AND NINE MONTHS ENDED  
JULY 31, 2003

BOSTON, MA--Eaton Vance Corp. reported diluted earnings per share of \$0.38 in the third quarter of fiscal 2003 compared to diluted earnings per share of \$0.44 in the third quarter of fiscal 2002. For the first nine months of fiscal 2003, the Company earned \$1.10 per diluted share compared to \$1.35 per diluted share last year.

Assets under management of \$64.3 billion at the end of the third quarter of fiscal 2003 were \$9.6 billion or 17 percent greater than the \$54.8 billion of assets under management at the end of the third quarter last year. During the 12-month period ended July 31, 2003, long-term fund and separate account net inflows contributed \$8.4 billion and market appreciation contributed \$2.4 billion to the increase in assets under management. The impact of market depreciation in the third and fourth quarters of last year was not fully recovered until the third quarter this year. Consequently, average assets under management were the same at \$58.3 billion in the first three quarters of fiscal 2003 and in the first three quarters of last year.

Net inflows of long-term fund assets and separate account assets were \$5.7 billion in the first nine months of fiscal 2003 and \$2.2 billion in the first nine months of fiscal 2002. Long-term fund net inflows of \$5.1 billion in the first nine months of 2003 benefited from the successful offering of nine closed-end municipal bond funds that added \$0.7 billion of new assets in the first quarter and the record-setting \$3.1 billion offering of the innovative new closed-end Eaton Vance Limited Duration Income Fund in the third quarter. Tables 1, 2 and 3 (attached) summarize assets under management and asset flows by investment objective. As can be seen in Table 3, all long-term fund asset classes and separate accounts had positive net flows in the third quarter and the first nine months of fiscal 2003.

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Fiscal 2003 year-to-date revenue decreased by \$19.5 million or 5 percent to \$379.7 million as a result of flat average assets under management in the first nine months of fiscal 2003 compared to the first nine months of fiscal 2002 and changes in the mix of assets under management affecting distribution and service fee revenue. Investment adviser and administration fees declined \$1.2 million or 1 percent to \$212.7 million. Distribution and underwriter fees decreased \$15.3 million or 12 percent, reflecting the continuing shift in managed assets from Class B mutual fund shares to other mutual fund share classes and assets with low or no distribution fees. Service fee revenue declined \$5.3 million or 9 percent in the first nine months of fiscal 2003 because of the decline in mutual fund assets that pay service fees. Other income increased 180 percent to \$3.7 million primarily because of reimbursement payments for certain fund shareholder services now performed by the Company, and investment income from a consolidated investment company in which Eaton Vance is the majority shareholder.

Operating expenses in the first three quarters of fiscal 2003 increased 3 percent to \$261.8 million. Compensation expense increased 20 percent in the third quarter and 5 percent year-to-date primarily because of higher sales incentives associated with the increase in fund and separate account sales. Amortization of deferred sales commissions increased 2 percent primarily due to adjustments made to better align amortization expense with projected

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distribution fee revenue. Service fee expense decreased 2 percent reflecting the decline in the fund assets under management for which these expenses apply. Other expenses increased 10 percent primarily because of non-recurring expenses related to the Company's successful offering of nine closed-end municipal bond funds, higher fund expenses, marketing, travel and promotion expenses, and higher audit and consulting fees. Operating income in the first three quarters of fiscal 2003 declined 19 percent to \$117.9 million.

Net income in the first three quarters of fiscal 2003 declined 20 percent to \$77.5 million. Interest income declined 40 percent because of lower short-term interest rates in the first nine months of fiscal 2003 compared to the same period last year. Interest expense increased 23 percent primarily due to an additional 2.5 percent per annum of cash interest paid by Eaton Vance Management on its exchangeable notes. Gains on the sale of investments increased 81 percent to \$2.3 million. The Company's effective tax rate was 35 percent in both the first nine months of fiscal 2003 and the first nine months of fiscal 2002.

Cash and cash equivalents and short-term investments were \$270.7 million on July 31, 2003 and \$255.9 million on July 31, 2002. The Company's strong operating cash flow in the last 12 months allowed it to reduce its long-term debt by \$92.3 million or 42 percent to \$125.4 million, and pay \$74.0 million in federal and state income taxes (including reducing the deferred tax liability by \$23.7 million to \$35.5 million), \$71.6 million in sales commissions, \$37.5 million to repurchase 1,312,900 shares of its non-voting common stock and \$21.6 million in dividends to shareholders. There are no outstanding borrowings against the Company's \$170.0 million credit facility.

Short-term investments on July 31, 2003 included the investment holdings of the \$124.4 million Eaton Vance Institutional Short-term Income Fund. The Company had a \$100.2 million investment in the fund. Because Eaton Vance is the majority investor it is required to consolidate the fund in its financial statements. Minority interest of \$23.4 million on July 31, 2003 includes \$22.1 million of minority interest in the Eaton Vance Institutional Short-term Income Fund.

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During the first nine months of fiscal year 2003, the Company used \$23.3 million of its cash to repurchase and retire 793,200 shares of its non-voting common stock. Approximately 1.5 million shares remain of the current 4.0 million-share repurchase 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 Securities and Exchange Commission.

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

Three Months Ended

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|   | July 31,<br>2003 | July 31,<br>2002 | %<br>Change   | July<br>20   |
|---|------------------|------------------|---------------|--------------|
| <b>Revenue:</b>   |                  |                  |               |              |
| Investment adviser and administration fees              | \$ 75,687        | \$ 70,518        | 7.3%          | \$ 212       |
| Distribution and underwriter fees                       | 37,605           | 40,168           | (6.4)         | 108          |
| Service fees  | 19,179           | 19,522           | (1.8)         | 54           |
| Other income  | 1,433            | 465              | 208.2         | 3            |
| <b>Total revenue</b>                                    | <b>133,904</b>   | <b>130,673</b>   | <b>2.5</b>    | <b>379</b>   |
| <b>Expenses:</b>  |                  |                  |               |              |
| Compensation of officers and employees                  | 30,735           | 25,546           | 20.3          | 81           |
| Amortization of deferred sales commissions              | 21,139           | 20,328           | 4.0           | 64           |
| Service fee expense                                     | 17,518           | 16,722           | 4.8           | 48           |
| Distribution fee expense                                | 8,552            | 7,824            | 9.3           | 23           |
| Other expenses  | 15,088           | 13,847           | 9.0           | 43           |
| <b>Total expenses</b>                                   | <b>93,032</b>    | <b>84,267</b>    | <b>10.4</b>   | <b>261</b>   |
| <b>Operating Income</b>                                 | <b>40,872</b>    | <b>46,406</b>    | <b>(11.9)</b> | <b>117</b>   |
| <b>Other Income/(Expense):</b>                          |                  |                  |               |              |
| Interest income   | 1,252            | 3,447            | (63.7)        | 4            |
| Interest expense  | (1,430)          | (1,336)          | 7.0           | (4)          |
| Gain (loss) on investments                              | 353              | (107)            | (429.9)       | 2            |
| Foreign currency gain                                   | 2                | -                | n/a           |              |
| Equity in net income (loss) of affiliates               | 160              | 207              | (22.7)        |              |
| <b>Income Before Minority Interest and Income Taxes</b> | <b>41,209</b>    | <b>48,617</b>    | <b>(15.2)</b> | <b>120</b>   |
| <b>Minority Interest in Income</b>                      | <b>(398)</b>     | <b>(648)</b>     | <b>(38.6)</b> |              |
| <b>Income Before Income Taxes</b>                       | <b>40,811</b>    | <b>47,969</b>    | <b>(14.9)</b> | <b>119</b>   |
| <b>Income Taxes</b>                                     | <b>14,284</b>    | <b>16,788</b>    | <b>(14.9)</b> | <b>41</b>    |
| <b>Net Income</b>                                       | <b>\$ 26,527</b> | <b>\$ 31,181</b> | <b>(14.9)</b> | <b>\$ 77</b> |
| <b>Earnings Per Share:</b>                              |                  |                  |               |              |
| Basic   | \$ 0.39          | \$ 0.45          | (13.3)        | \$           |
| Diluted   | \$ 0.38          | \$ 0.44          | (13.6)        | \$           |
| <b>Dividends Declared, Per Share</b>                    | <b>\$ 0.1200</b> | <b>\$ 0.0725</b> | <b>65.5</b>   | <b>\$ 0.</b> |
| <b>Weighted Average Shares Outstanding:</b>             |                  |                  |               |              |
| Basic   | 68,876           | 69,161           | (0.4)         | 69           |
| Diluted   | 70,465           | 71,194           | (1.0)         | 70           |

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|  | July 31,<br>2003  | October 31,<br>2002 | July 31,<br>2002 |
|--|-------------------|---------------------|------------------|
| <b>ASSETS</b>  |                   |                     |                  |
| <b>Current Assets:</b>   |                   |                     |                  |
| Cash and cash equivalents  | \$ 130,726        | \$ 144,078          | \$ 160,84        |
| Short-term investments   | 139,980           | 43,886              | 95,02            |
| Investment adviser fees and other receivables                      | 22,911            | 19,502              | 19,91            |
| Other current assets   | 4,405             | 6,101               | 2,23             |
| <b>Total current assets</b>  | <b>298,022</b>    | <b>213,567</b>      | <b>278,01</b>    |
| <b>Other Assets:</b>   |                   |                     |                  |
| Deferred sales commissions   | 210,068           | 239,048             | 250,45           |
| Goodwill   | 69,467            | 69,467              | 69,46            |
| Other intangible assets, net                                       | 37,120            | 37,296              | 37,79            |
| Long-term investments  | 32,353            | 39,982              | 38,75            |
| Equipment and leasehold improvements, net                          | 12,153            | 13,897              | 14,23            |
| Other assets   | 3,105             | 3,362               | 5,59             |
| <b>Total other assets</b>  | <b>364,266</b>    | <b>403,052</b>      | <b>416,29</b>    |
| <b>Total assets</b>  | <b>\$ 662,288</b> | <b>\$ 616,619</b>   | <b>\$ 694,30</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                        |                   |                     |                  |
| <b>Current Liabilities:</b>  |                   |                     |                  |
| Accrued compensation   | \$ 23,793         | \$ 31,899           | \$ 24,84         |
| Accounts payable and accrued expenses                              | 21,959            | 16,324              | 17,37            |
| Dividend payable   | 8,257             | 5,522               | 5,01             |
| Current portion of long-term debt                                  | 7,143             | 7,143               | 94,11            |
| Other current liabilities  | 8,291             | 7,382               | 4,91             |
| <b>Total current liabilities</b>                                   | <b>69,443</b>     | <b>68,270</b>       | <b>146,25</b>    |
| <b>Long-term Liabilities:</b>                                      |                   |                     |                  |
| Long-term debt   | 118,291           | 124,118             | 123,63           |
| Deferred income taxes  | 35,479            | 50,531              | 59,21            |
| <b>Total long-term liabilities</b>                                 | <b>153,770</b>    | <b>174,649</b>      | <b>182,84</b>    |
| <b>Total liabilities</b>   | <b>223,213</b>    | <b>242,919</b>      | <b>329,10</b>    |
| Minority interest  | 23,426            | 1,398               | 1,48             |
| Commitments and contingencies                                      | -                 | -                   | -                |
| <b>Shareholders' Equity:</b>                                       |                   |                     |                  |
| Common stock, par value \$0.0078125 per share:                     |                   |                     |                  |
| Authorized, 640,000 shares   |                   |                     |                  |
| Issued, 154,880 shares   | 1                 | 1                   |                  |
| Non-voting common stock, par value \$0.0078125 per share:          |                   |                     |                  |
| Authorized, 95,360,000 shares                                      |                   |                     |                  |
| Issued, 68,813,555, 69,102,459 and 69,220,824 shares, respectively | 538               | 540                 | 54               |
| Notes receivable from stock option exercises                       | (3,059)           | (3,530)             | (3,25)           |
| Deferred compensation  | (1,275)           | (2,100)             | (2,37)           |
| Accumulated other comprehensive income                             | 814               | 2,585               | 2,96             |

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|  |            |            |           |
|--|------------|------------|-----------|
| Retained earnings                          | 418,630    | 374,806    | 365,85    |
|  | -----      | -----      | -----     |
| Total shareholders' equity                 | 415,649    | 372,302    | 363,72    |
|  | -----      | -----      | -----     |
| Total liabilities and shareholders' equity | \$ 662,288 | \$ 616,619 | \$ 694,30 |
|  | =====      | =====      | =====     |

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Table 1  
Asset Flows (in millions)  
Twelve Months Ended July 31, 2003

|  |           |
|--|-----------|
| Assets 7/31/2002 - Beginning of Period | \$ 54,765 |
| Long-term Fund Sales/Inflows           | 13,745    |
| Long-term Fund Redemptions/Outflows    | (6,447)   |
| Long-term Fund Net Exchanges           | (141)     |
| Long-term Fund Mkt. Appreciation       | 1,577     |
| Institutional/HNW Account Inflows      | 1,913     |
| Institutional/HNW Account Outflows     | (1,335)   |
| Retail Managed Account Inflows         | 760       |
| Retail Managed Account Outflows        | (238)     |
| Separate Accounts Mkt. Value Change    | 791       |
| Change in Money Market Funds           | (1,068)   |
|  | -----     |
| Net Change                             | 9,557     |
|  | -----     |
| Assets 7/31/2003 - End of Period       | \$ 64,322 |
|  | =====     |

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

|                    | July 31, 2003 | October 31, 2002 | % Change | July 31, 2002 | % Change |
|--------------------|---------------|------------------|----------|---------------|----------|
| Equity Funds       | \$ 25,407     | \$ 22,910        | 11%      | \$ 23,684     | 7%       |
| Fixed Income Funds | 17,580        | 13,302           | 32%      | 10,573        | 66%      |
| Bank Loan Funds    | 8,419         | 7,687            | 10%      | 8,415         | 0%       |
| Money Market Funds | 424           | 910              | -53%     | 1,492         | -72%     |
| Separate Accounts  | 12,492        | 10,802           | 16%      | 10,601        | 18%      |
|                    | -----         | -----            | -----    | -----         | -----    |
| Total              | \$ 64,322     | \$ 55,611        | 16%      | \$ 54,765     | 17%      |
|                    | =====         | =====            | =====    | =====         | =====    |

Table 3  
Asset Flows by Investment Objective (in millions)

|  | Three Months Ended |               | Nine          |
|--|--------------------|---------------|---------------|
|  | July 31, 2003      | July 31, 2002 | July 31, 2003 |
|  | -----              | -----         | -----         |
|  | -----              | -----         | -----         |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Equity Fund Assets - Beginning of Period       | \$ 23,372 | \$ 27,540 | \$ 22,910 |
| Sales/Inflows                                  | 881       | 1,342     | 2,116     |
| Redemptions/Outflows                           | (597)     | (1,094)   | (1,893)   |
| Exchanges                                      | 32        | (180)     | (59)      |
| Market Value Change                            | 1,719     | (3,924)   | 2,333     |
| Net Change                                     | 2,035     | (3,856)   | 2,497     |
| Equity Assets - End of Period                  | \$ 25,407 | \$ 23,684 | \$ 25,407 |
| Fixed Income Fund Assets - Beginning of Period | 15,573    | 10,397    | 13,302    |
| Sales/Inflows                                  | 3,033     | 568       | 5,714     |
| Redemptions/Outflows                           | (612)     | (416)     | (1,495)   |
| Exchanges                                      | (69)      | 108       | 60        |
| Market Value Change                            | (345)     | (84)      | (1)       |
| Net Change                                     | 2,007     | 176       | 4,278     |
| Fixed Income Assets - End of Period            | \$ 17,580 | \$ 10,573 | \$ 17,580 |
| Bank Loan Fund Assets - Beginning of Period    | 7,156     | 8,830     | 7,687     |
| Sales/Inflows                                  | 1,485     | 236       | 1,846     |
| Redemptions/Outflows                           | (339)     | (531)     | (1,217)   |
| Exchanges                                      | 15        | (42)      | (78)      |
| Market Value Change                            | 102       | (78)      | 181       |
| Net Change                                     | 1,263     | (415)     | 732       |
| Bank Loan Assets - End of Period               | \$ 8,419  | \$ 8,415  | \$ 8,419  |
| Long-Term Fund Assets - Beginning of Period    | 46,101    | 46,767    | 43,899    |
| Sales/Inflows                                  | 5,399     | 2,146     | 9,676     |
| Redemptions/Outflows                           | (1,548)   | (2,041)   | (4,605)   |
| Exchanges                                      | (22)      | (114)     | (77)      |
| Market Value Change                            | 1,476     | (4,086)   | 2,513     |
| Net Change                                     | 5,305     | (4,095)   | 7,507     |
| Total Long-Term Fund Assets - End of Period    | \$ 51,406 | \$ 42,672 | \$ 51,406 |
| Separate Accounts - Beginning of Period        | 11,376    | 11,372    | 10,802    |
| Institutional/ HNW Account Inflows             | 508       | 637       | 1,379     |
| Institutional/ HNW Account Outflows            | (220)     | (348)     | (1,169)   |
| Retail Managed Account Inflows                 | 196       | 246       | 591       |
| Retail Managed Account Outflows                | (112)     | (40)      | (195)     |
| Separate Accounts Market Value Change          | 744       | (1,266)   | 1,084     |
| Net Change                                     | 1,116     | (771)     | 1,690     |
| Separate Accounts - End of Period              | \$ 12,492 | \$ 10,601 | \$ 12,492 |
| Money Market Fund Assets - End of Period       | 424       | 1,492     | 424       |
| Total Assets Under Management - End of Period  | \$ 64,322 | \$ 54,765 | \$ 64,322 |



