

AFFILIATED MANAGERS GROUP INC
Form 10-Q
August 06, 2009

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number 001-13459

Affiliated Managers Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

04-3218510
(IRS Employer Identification Number)

600 Hale Street, Prides Crossing, Massachusetts 01965

(Address of principal executive offices)

(617) 747-3300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No (Registrant is not subject to the requirements of Rule 405 of Regulation S-T at this time).

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated
filer

Accelerated
filer

Non-accelerated
filer

Smaller reporting
company

(Do not check if a
smaller reporting
company)

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

There were 41,678,829 shares of the registrant's common stock outstanding on August 3, 2009.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2009	2008	2009
Revenue	\$ 308,964	\$ 201,246	\$ 643,998	\$ 379,721
Operating expenses:				
Compensation and related expenses	140,822	103,373	291,902	187,533
Selling, general and administrative	48,178	32,157	101,028	64,664
Amortization of intangible assets	8,551	8,044	16,901	16,138
Depreciation and other amortization	2,902	3,243	5,676	6,482
Other operating expenses	5,050	4,736	10,463	10,486
	205,503	151,553	425,970	285,303
Operating income	103,461	49,693	218,028	94,418
Non-operating (income) and expenses:				
Investment and other (income) loss	(426)	(7,191)	1,513	(6,950)
Income from equity method investments	(13,414)	(7,351)	(27,402)	(13,767)
Investment (income) loss from Affiliate investments in partnerships	(5,404)	(14,947)	8,930	(11,152)
Interest expense	16,927	19,193	39,864	39,141
	(2,317)	(10,296)	22,905	7,272
Income before income taxes	105,778	59,989	195,123	87,146
Income taxes current	12,356	(1,126)	25,501	(9,171)
Income taxes intangible-related deferred	9,040	9,544	18,061	19,115
Income taxes other deferred	(1,055)	(4,678)	(4,884)	(2,287)
Net income	85,437	56,249	156,445	79,489
Net income (non-controlling interests)	(45,650)	(30,671)	(98,824)	(51,549)
Net (income) loss (non-controlling interests in partnerships)	(5,152)	(14,599)	8,237	(10,836)
Net Income (controlling interest)	\$ 34,635	\$ 10,979	\$ 65,858	\$ 17,104
Average shares outstanding basic	39,300,624	41,450,659	36,885,373	40,740,486
Average shares outstanding diluted	42,371,454	43,159,140	41,597,282	42,082,991
Earnings per share basic	\$ 0.88	\$ 0.26	\$ 1.79	\$ 0.42
Earnings per share diluted	\$ 0.82	\$ 0.26	\$ 1.63	\$ 0.41

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Supplemental disclosure of total comprehensive income:								
Net income	\$	85,437	\$	56,249	\$	156,445	\$	79,489
Other comprehensive income (loss)		9,460		24,676		(2,448)		14,804
Comprehensive income		94,897		80,925		153,997		94,293
Comprehensive income (non-controlling interests)		(50,802)		(45,270)		(90,587)		(62,385)
Comprehensive income (controlling interest)	\$	44,095	\$	35,655	\$	63,410	\$	31,908

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	December 31, 2008	June 30, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 396,431	\$ 274,369
Investment advisory fees receivable	131,099	113,899
Affiliate investments in partnerships	68,789	78,560
Affiliate investments in marketable securities	10,399	13,789
Prepaid expenses and other current assets	23,968	27,591
 Total current assets	 630,686	 508,208
Fixed assets, net		
	71,845	66,885
Equity investments in Affiliates	678,887	664,669
Acquired client relationships, net	491,408	476,571
Goodwill	1,243,583	1,255,793
Other assets	96,291	108,170
 Total assets	 \$ 3,212,700	 \$ 3,080,296
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 183,794	\$ 118,909
Payables to related party	26,187	2,907
 Total current liabilities	 209,981	 121,816
Senior bank debt		
	233,514	
Senior convertible securities	445,535	451,255
Junior convertible trust preferred securities	505,034	506,169
Deferred income taxes	319,491	338,047
Other long-term liabilities	30,414	26,133
 Total liabilities	 1,743,969	 1,443,420
Redeemable non-controlling interests		
	297,733	307,066
Equity:		
Common stock	458	458
Additional paid-in capital	817,713	762,292
Accumulated other comprehensive income	(4,081)	10,723
Retained earnings	813,664	830,768
	1,627,754	1,604,241
Less: treasury stock, at cost	(702,953)	(498,988)
 Total stockholders' equity	 924,801	 1,105,253
Non-controlling interests		
	180,732	149,252
Non-controlling interests in partnerships	65,465	75,305
 Total equity	 1,170,998	 1,329,810

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Total liabilities and equity	\$ 3,212,700	\$3,080,296
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The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(dollars in thousands)

(unaudited)

	Total Stockholders' Equity							Total Equity
	Common Stock	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Treasury Shares at Cost	Non- controlling interests	Non- controlling interests in partnerships	
December 31, 2008	\$ 458	\$ 817,713	\$ (4,081)	\$ 813,664	\$ (702,953)	\$ 180,732	\$ 65,465	\$ 1,170,998
Stock issued under option and other incentive plans		(23,772)			34,329			10,557
Tax benefit of option exercises		2,545						2,545
Issuance costs		(396)						(396)
Settlement of forward equity sale agreement		(25,378)			169,636			144,258
Share-based payment arrangements		7,267						7,267
Changes in Affiliate equity		(15,687)					778	(14,909)
Distributions to non-controlling interests							(83,807)	(83,807)
Redemptions of non-controlling interests in partnerships							(996)	(996)
Net Income				17,104		51,549	10,836	79,489
Other comprehensive income			14,804					14,804
June 30, 2009	\$ 458	\$ 762,292	\$ 10,723	\$ 830,768	\$ (498,988)	\$ 149,252	\$ 75,305	\$ 1,329,810

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)