

BlackRock Inc.  
Form 10-Q  
August 08, 2008

**UNITED STATES**  
**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, 2008

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 001-33099

**BlackRock, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**32-0174431**  
(I.R.S. Employer  
Identification No.)

**40 East 52nd Street, New York, NY 10022**  
(Address of principal executive offices)

**(Zip Code)**  
**(212) 810-5300**  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 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  (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 31, 2008, there were 118,059,866 shares of the registrant's common stock outstanding.

**BlackRock, Inc.**

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**PART I**

**FINANCIAL INFORMATION**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition**

(Dollar amounts in thousands, except per share data)

(unaudited)

	June 30, 2008	December 31, 2007
<b>Assets</b>		
Cash and cash equivalents	\$ 1,427,522	\$ 1,656,200
Accounts receivable	1,569,116	1,235,940
Due from related parties	204,476	174,853
Investments	1,941,525	1,999,944
Separate account assets	4,026,713	4,669,874
Deferred mutual fund sales commissions, net	168,271	174,849
Property and equipment (net of accumulated depreciation of \$267,074 at June 30, 2008 and \$225,645 at December 31, 2007)	265,399	266,460
Intangible assets (net of accumulated amortization of \$251,591 at June 30, 2008 and \$178,450 at December 31, 2007)	6,507,087	6,553,122
Goodwill	5,535,174	5,519,714
Other assets	371,969	310,559
<b>Total assets</b>	<b>\$ 22,017,252</b>	<b>\$ 22,561,515</b>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 666,190	\$ 1,086,590
Accounts payable and accrued liabilities	1,029,636	788,968
Due to related parties	93,972	114,347
Short-term borrowings	300,000	300,000
Long-term borrowings	946,552	947,021
Separate account liabilities	4,026,713	4,669,874
Deferred tax liabilities	1,993,398	2,059,980
Other liabilities	286,694	419,570
<b>Total liabilities</b>	<b>9,343,155</b>	<b>10,386,350</b>
<b>Non-controlling interests</b>	<b>544,388</b>	<b>578,210</b>
<b>Commitments and contingencies (Note 9)</b>		
<b>Stockholders equity</b>		
Common stock (\$0.01 par value, 500,000,000 shares authorized, 118,573,367 shares issued, 117,071,411 and 116,059,560 shares outstanding at June 30, 2008 and December 31, 2007, respectively)	1,186	1,186
Series A participating preferred stock (\$0.01 par value, 500,000,000 shares authorized and 12,604,918 shares issued and outstanding at June 30, 2008 and December 31, 2007)	126	126
Additional paid-in capital	10,342,601	10,274,096
Retained earnings	1,929,726	1,622,041
Accumulated other comprehensive income	91,504	71,020

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Escrow shares, common, at cost (911,266 and 1,191,785 held at June 30, 2008 and December 31, 2007, respectively)	(143,367)	(187,500)
Treasury stock, common, at cost (590,690 and 1,322,022 shares held at June 30, 2008 and December 31, 2007, respectively)	(92,067)	(184,014)
<b>Total stockholders' equity</b>	<b>12,129,709</b>	<b>11,596,955</b>
Total liabilities, non-controlling interests and stockholders' equity	\$ 22,017,252	\$ 22,561,515

*See accompanying notes to condensed consolidated financial statements.*

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Income**

(Dollar amounts in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Revenue</b>				
Investment advisory and administration base fees				
Related parties	\$ 773,477	\$ 625,424	\$ 1,521,439	\$ 1,200,204
Other third parties	387,880	325,186	772,796	623,914
Investment advisory performance fees	57,079	25,720	98,622	48,138
Investment advisory and administration base and performance fees	1,218,436	976,330	2,392,857	1,872,256
Distribution fees	33,683	32,867	69,002	57,687
Other revenue				
Other third parties	125,777	80,780	211,318	161,011
Related parties	9,055	7,046	13,912	11,443
<b>Total revenue</b>	<b>1,386,951</b>	<b>1,097,023</b>	<b>2,687,089</b>	<b>2,102,397</b>
<b>Expenses</b>				
Employee compensation and benefits	551,954	408,773	1,020,903	756,075
Portfolio administration and servicing costs				
Related parties	126,968	115,452	257,214	232,969
Other third parties	26,650	15,625	52,143	29,194
Amortization of deferred mutual fund sales commissions	33,422	28,713	63,630	50,271
General and administration				
Other third parties	203,794	190,752	407,576	382,445
Related parties	2,601	24,632	11,802	35,104
Amortization of intangible assets	36,572	31,075	73,141	62,107
<b>Total expenses</b>	<b>981,961</b>	<b>815,022</b>	<b>1,886,409</b>	<b>1,548,165</b>
<b>Operating income</b>	<b>404,990</b>	<b>282,001</b>	<b>800,680</b>	<b>554,232</b>
<b>Non-operating income (expense)</b>				
Net gain (loss) on investments	(467)	210,203	(19,956)	360,563
Interest and dividend income	13,924	13,738	32,263	32,095
Interest expense	(16,720)	(10,223)	(34,098)	(21,209)
<b>Total non-operating income (expense)</b>	<b>(3,263)</b>	<b>213,718</b>	<b>(21,791)</b>	<b>371,449</b>

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Income before income taxes and non-controlling interests	401,727	495,719	778,889	925,681
Income tax expense	147,569	125,012	277,700	234,918
Income before non-controlling interests	254,158	370,707	501,189	690,763
Non-controlling interests	(19,900)	148,463	(14,540)	273,131
Net income	\$ 274,058	\$ 222,244	\$ 515,729	\$ 417,632
<b>Earnings per share:</b>				
Basic	\$ 2.12	\$ 1.73	\$ 3.99	\$ 3.25
Diluted	\$ 2.05	\$ 1.69	\$ 3.87	\$ 3.17
<b>Cash dividends declared and paid per share</b>	\$ 0.78	\$ 0.67	\$ 1.56	\$ 1.34
<b>Weighted-average shares outstanding:</b>				
Basic	129,569,325	128,544,894	129,242,591	128,676,577
Diluted	133,526,713	131,383,470	133,189,957	131,580,121
<i>See accompanying notes to condensed consolidated financial statements.</i>				

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**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(Dollar amounts in thousands)

(unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Net income</b>	\$ 274,058	\$ 222,244	\$ 515,729	\$ 417,632
Other comprehensive income:				
Net unrealized gain (loss) from available-for-sale investments, net of tax	1,228	586	(3,937)	(871)
Minimum pension liability adjustment			(542)	
Foreign currency translation adjustments	(1,344)	16,371	24,963	18,574
<b>Comprehensive income</b>	<b>\$ 273,942</b>	<b>\$ 239,201</b>	<b>\$ 536,213</b>	<b>\$ 435,335</b>

*See accompanying notes to condensed consolidated financial statements.*

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**BlackRock, Inc.**

**Condensed Consolidated Statements of Cash Flows**

(Dollar amounts in thousands)

(unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Net income		\$