

Invesco Ltd.
Form 10-Q
May 04, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March 31, 2010

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 1-13908

Invesco Ltd.

(Exact Name of Registrant as Specified in Its Charter)

Bermuda

*(State or Other Jurisdiction of
Incorporation or Organization)*

98-0557567

*(I.R.S. Employer
Identification No.)*

1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA

(Address of Principal Executive Offices)

30309

(Zip Code)

Registrant's telephone number, including area code: (404) 892-0896

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Exchange on Which Registered

Common Shares, \$0.20 par value per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 March 31, 2010, the most recent practicable date, 436,280,943 of the company's common shares, par value \$0.20 per share, were outstanding.

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Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

\$ in millions	March 31, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	597.0	762.0
Cash and cash equivalents of consolidated investment products	331.8	28.0
Unsettled fund receivables	758.1	383.1
Accounts receivable	303.8	289.3
Accounts receivable of consolidated investment products	66.2	
Investments	154.0	182.4
Prepaid assets	68.5	57.6
Other current assets	79.2	77.9
Deferred tax asset, net	65.7	57.7
Assets held for policyholders	1,221.0	1,283.0
Total current assets	3,645.3	3,121.0
Non-current assets:		
Investments	141.8	157.4
Investments of consolidated investment products	6,105.7	685.0
Prepaid assets	11.1	16.2
Other non-current assets	18.5	13.0
Deferred sales commissions	28.3	23.8
Deferred tax asset, net	58.0	65.8
Property and equipment, net	221.1	220.7
Intangible assets, net	135.9	139.1
Goodwill	6,425.8	6,467.6
Total non-current assets	13,146.2	7,788.6
Total assets	16,791.5	10,909.6
LIABILITIES AND EQUITY		
Current liabilities:		
Unsettled fund payables	735.9	367.9
Income taxes payable	84.4	82.8
Other current liabilities	378.2	559.9
Other current liabilities of consolidated investment products	281.6	4.8
Policyholder payables	1,221.0	1,283.0
Total current liabilities	2,701.1	2,298.4
Non-current liabilities:		

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Long-term debt	745.7	745.7
Long-term debt of consolidated investment products	5,119.1	
Other non-current liabilities	224.7	244.7
Total non-current liabilities	6,089.5	990.4
Total liabilities	8,790.6	3,288.8
Commitments and contingencies (See Note 12)		
Equity:		
Equity attributable to common shareholders:		
Common shares (\$0.20 par value; 1,050.0 million authorized; 459.5 million shares issued as of March 31, 2010, and December 31, 2009)		
	91.9	91.9
Additional paid-in-capital	5,652.5	5,688.4
Treasury shares	(852.5)	(892.4)
Retained earnings	1,686.8	1,631.4
Retained earnings appropriated for investors in consolidated investment products	383.8	
Accumulated other comprehensive income/(loss), net of tax	340.5	393.6
Total equity attributable to common shareholders	7,303.0	6,912.9
Equity attributable to noncontrolling interests in consolidated entities	697.9	707.9
Total equity	8,000.9	7,620.8
Total liabilities and equity	16,791.5	10,909.6

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

\$ in millions, except per share data	Three Months Ended March 31,	
	2010	2009
Operating revenues:		
Investment management fees	593.5	436.5
Service and distribution fees	112.5	89.0
Performance fees	1.4	10.9
Other	11.7	12.2
 Total operating revenues	 719.1	 548.6
 Operating expenses:		
Employee compensation	237.6	235.8
Third-party distribution, service and advisory	195.6	148.2
Marketing	28.3	26.9
Property, office and technology	53.5	45.9
General and administrative	50.0	30.0
Transaction and integration	17.2	
 Total operating expenses	 582.2	 486.8
 Operating income	 136.9	 61.8
 Other income/(expense):		
Equity in earnings of unconsolidated affiliates	5.8	2.5
Interest income	1.6	4.8
Interest income of consolidated investment products	52.5	
Gains/(losses) of consolidated investment products, net	103.1	(86.5)
Interest expense	(12.4)	(15.9)
Interest expense of consolidated investment products	(20.8)	
Other gains and losses, net	(2.1)	(4.2)
 Income/(loss) before income taxes, including gains and losses attributable to noncontrolling interests	 264.6	 (37.5)
Income tax provision	(50.1)	(20.3)
 Net income/(loss), including gains and losses attributable to noncontrolling interests	 214.5	 (57.8)
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(119.5)	88.5
 Net income attributable to common shareholders	 95.0	 30.7

Earnings per share:

basic	\$ 0.22	\$ 0.08
diluted	\$ 0.21	\$ 0.08
Dividends declared per share	\$0.1025	\$ 0.10

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

\$ in millions	Three months ended March	
	2010	31, 2009
Operating activities:		
Net income/(loss), including gains attributable to noncontrolling interests of \$119.5 million during the three months ended March 31, 2010 (losses of \$88.5 million during the three months ended March 31, 2009)	214.5	(57.8)
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization and depreciation	18.3	16.0
Share-based compensation expense	24.2	23.7
Gains on disposal of property, equipment, software, net		0.1
Purchase of trading investments	(7.0)	(7.0)
Proceeds from sale of trading investments	39.7	7.8
Other gains and losses, net	2.1	4.2
(Gains)/losses of consolidated investment products, net	(103.1)	86.5
Tax benefit from share-based compensation	22.3	29.8
Excess tax benefits from share-based compensation	(6.8)	
Equity in earnings of unconsolidated affiliates	(5.8)	(2.5)
Dividends from unconsolidated affiliates	1.2	
Changes in operating assets and liabilities:		
Change in cash held by consolidated investment products	(116.1)	14.0
(Increase)/decrease in receivables	(449.1)	(61.7)
Increase/(decrease) in payables	188.6	(233.1)
Net cash used in operating activities	(177.0)	(180.0)
Investing activities:		
Purchase of property and equipment	(15.5)	(5.3)
Disposal of property and equipment		0.3
Purchase of available-for-sale investments	(20.2)	(5.8)
Proceeds from sale of available-for-sale investments	16.2	12.4
Purchase of investments by consolidated investment products	(325.4)	(26.2)
Proceeds from sale of investments by consolidated investment products	453.1	16.1
Returns of capital in investments of consolidated investment products	23.2	4.7
Purchase of other investments	(11.6)	(1.9)
Proceeds from sale of other investments	14.3	3.1
Net cash provided by/(used in) investing activities	134.1	(2.6)
Financing activities:		
Proceeds from exercises of share options	3.7	1.7
Dividends paid	(44.8)	(38.9)
Excess tax benefits from share-based compensation	6.8	

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Capital invested into consolidated investment products	0.8	8.0
Capital distributed by consolidated investment products	(27.5)	(14.6)
Repayments of debt of consolidated investment products	(48.3)	
Net repayments under credit facility		(4.5)
Repayments of senior notes		(3.0)
Acquisition of remaining noncontrolling interest in subsidiary		(10.3)
Net cash used in financing activities	(109.3)	(61.6)
Decrease in cash and cash equivalents	(152.2)	(244.2)
Foreign exchange movement on cash and cash equivalents	(12.8)	(7.9)
Cash and cash equivalents, beginning of period	762.0	585.2
Cash and cash equivalents, end of period	597.0	333.1
Supplemental Cash Flow Information:		
Interest paid	(9.6)	(9.7)
Interest received	1.6	5.2
Taxes paid	(34.8)	(15.5)

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

\$ in millions	Equity Attributable to Common Shareholders							Non- Controlling Interests in Consolidated Entities	Total Equity
	Common Shares	Additional Paid-in- Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in Accumulated Investment Products	Other Comprehensive Income	Consolidated Other Income		
January 1, 2010	91.9	5,688.4	(892.4)	1,631.4		393.6	707.9	7,620.8	
Adoption of FASB Statement No. 167				5.2	274.3	(5.2)		274.3	
January 1, 2010, as adjusted	91.9	5,688.4	(892.4)	1,636.6	274.3	388.4	707.9	7,895.1	
Net income, including gains and losses attributable to noncontrolling interests				95.0	104.4		15.1	214.5	
Other comprehensive income: Currency translation differences on investments in overseas subsidiaries					5.1	(57.4)		(52.3)	
Change in accumulated OCI related to employee benefit plans						5.3		5.3	
Change in net unrealized gains on available-for-sale investments						6.0		6.0	
Tax impacts of changes in accumulated other comprehensive income balances						(1.8)		(1.8)	

Total comprehensive income								171.7
Change in noncontrolling interests in consolidated entities, net							(25.1)	(25.1)
Dividends				(44.8)				(44.8)
Employee share plans:								
Share-based compensation	24.2							24.2
Vested shares	(56.9)	56.9						
Exercise of options	(10.0)	13.9						3.9
Tax impact of share-based payment	6.8							6.8
Purchase of shares		(30.9)						(30.9)
March 31, 2010	91.9	5,652.5	(852.5)	1,686.8	383.8	340.5	697.9	8,000.9

Invesco Ltd.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Equity Attributable to Common Shareholders

\$ in millions	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Non-Accumulated Controlling Interests		Total Equity
					Other Comprehensive Loss	Consolidated Entities	
January 1, 2009	85.3	5,352.6	(1,128.9)	1,476.3	(95.8)	906.7	6,596.2
Net income/(loss), including gains and losses attributable to noncontrolling interests				30.7		(88.5)	(57.8)
Other comprehensive income:							
Currency translation differences on investments in overseas subsidiaries					(72.1)		(72.1)
Change in accumulated OCI related to employee benefit plans					0.4		0.4
					(4.0)		(4.0)

Change in net unrealized gains on available-for-sale investments			
Tax impacts of changes in accumulated other comprehensive income balances		(0.9)	(0.9)
Total comprehensive income			(134.4)
Change in noncontrolling interests in consolidated entities, net		(58.5)	(58.5)
Dividends		(38.9)	(38.9)
Employee share plans:			
Share-based compensation	23.7		23.7
Vested shares	(81.4)	81.4	
Exercise of options	(8.7)	10.4	1.7
Tax impact of share-based payment	(5.0)		(5.0)
Purchase of			