EATON VANCE CORP
Form 8-K
March 02, 2005

UNITED STATES 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): March 2, 2005

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION INCLUDED IN THE REPORT

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Registrant has reported its results of operations for the three months ended January 31, 2005, as described in Registrant's news release dated March 2, 2005, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

Exhibit No.	Document
99.1	Press release issued by the Registrant dated March 2, 2005.

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: March 2, 2005

/s/ William M. Steul

William M. Steul, Chief Financial Officer

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 March 2, 2005.

NEWS RELEASE

{LOGO}

Eaton Vance Corp.
The Eaton Vance Building
255 State Street, Boston, MA 02109
(617) 482-8260
Contact: William M. Steul

March 2, 2005

FOR IMMEDIATE RELEASE

EATON VANCE CORP.
REPORT FOR THE THREE MONTHS ENDED
JANUARY 31, 2005

BOSTON, MA--Eaton Vance Corp. reported diluted earnings per share of $0.27 in the first three months of fiscal 2005 compared to diluted earnings per share of $0.22 in the first three months of fiscal 2004, an increase of 23 percent.

Assets under management of $98.0 billion at the end of the first quarter of fiscal 2005 were $14.4 billion or 17 percent greater than the $83.6 billion at the end of the first fiscal quarter last year. In the 12-month period ended January 31, 2005, the Company's assets under management were positively affected by long-term fund and separate account net inflows of $9.5 billion, market price appreciation of $3.1 billion and $1.9 billion of separate accounts acquired from Deutsche Bank in July 2004. Gross sales and inflows of long-term funds and separate accounts in the last 12 months were $23.2 billion, including four closed-end funds that raised a total of $3.1 billion, and the over-allotment and preferred shares related to a January 2004 fund offering that added $0.8 billion.

Net fund and separate account inflows of $1.3 billion in the first quarter of fiscal 2005 compared to net inflows of $5.6 billion in the first fiscal quarter last year. This year's first quarter net inflows included $0.9 billion raised in one closed-end fund offering, the Eaton Vance Enhanced Equity Income Fund II offered in January and the over-allotment shares from the Eaton Vance Enhanced Equity Income Fund offered in October. Last year's first quarter benefited from closed-end fund inflows of $3.2 billion that included the successful offering of two closed-end funds, the Eaton Vance Senior Floating-Rate Trust and the Eaton Vance Tax-Advantaged Global Dividend Income Fund, that raised $2.4 billion of new assets as well as the over-allotment common and preferred shares related to the Eaton Vance Tax-Advantaged Dividend Income Fund, offered in September 2003, that added $0.8 billion. Excluding closed-end funds, net flows for Eaton Vance funds were substantially lower in the first quarter of fiscal 2005 compared to the same period last year. Gross fund flows were $3.1 billion in the first quarter of fiscal 2005 and $3.0 billion in the first quarter of fiscal 2004. However, fund outflows increased 40 percent or $0.7 billion from $1.6 billion to $2.3 billion because of higher bank loan and equity fund redemptions. The

Company also experienced increased institutional and high-net-worth separate account withdrawals in the first quarter, primarily due to management turnover at a subsidiary and year-end portfolio rebalancing by certain clients. Retail managed account net flows, however, increased by 30 percent compared to the same period last year. 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, revenue in the first quarter of fiscal 2005 increased by $24.8 million or 16 percent to $181.8 million compared to revenue in the first quarter of fiscal 2004 of $157.0 million. Investment adviser and administration fees increased 27 percent to $118.9 million, compared to the 23 percent increase in average assets under management. Distribution and underwriter fees decreased 12 percent, reflecting the continuing shift in sales and assets from Class B mutual fund shares to other fund share classes and other managed assets with low or no distribution fees. Service fee revenue increased 16 percent due to the increase in average fund assets that pay these fees. Other revenue increased 62 percent primarily as a result of investment income earned by two consolidated investment companies.

Operating expense in the first quarter of fiscal 2005 increased 11 percent to $118.9 million compared to operating expense of $106.9 million in fiscal first quarter 2004, primarily because of higher compensation, service fee, distribution and other expense. Compensation expense increased 13 percent because of increases in employee headcount, base salaries, separately managed account sales incentives and higher operating income-based bonus accruals, partly offset by decreases in marketing and sales incentives associated with lower long-term fund sales.

Amortization of deferred sales commissions declined 13 percent in the first quarter of fiscal 2005 compared to the first quarter of fiscal 2004 primarily because of the continuing decline in Class B share sales and assets under management. Service fee expense increased 14 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 22 percent as a result of increases in sales support expenses, Class C share fund distribution fees and closed-end fund fees. Other expense increased 30 percent primarily because of higher fund expenses, facilities, information technology, legal, compliance and other miscellaneous expenses.

Operating income and net income in the first quarter of fiscal 2005 increased 25 percent to $62.9 million and $38.4 million, respectively, compared to $50.1 million and $30.8 million, respectively, in the first quarter of fiscal 2004. Interest expense decreased 78 percent reflecting a $51.7 million reduction in long-term debt. The Company's provision for income taxes was 37 percent in the first quarter of fiscal 2005 and 36 percent in the first quarter of fiscal 2004. The $0.6 million loss in the net income of an affiliate resulted from the payment of calendar 2004 year-end performance bonuses that were not previously accrued by 20 percent owned Lloyd George Management. The Company's after-tax net income in this affiliate actually increased 133 percent to $0.7 million in calendar year 2004 from $0.3 million in calendar year 2003.

The Company adopted Emerging Issues Task Force Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings/Share," in the first quarter of fiscal 2005, as required. The change of accounting had an immaterial effect (less than $0.01) on diluted earnings per share for the first quarters of fiscal 2005 and fiscal 2004.

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Cash, cash equivalents and short-term investments were $326.8 million ($292.7 million excluding minority interest in a consolidated investment company) on January 31, 2005, and $262.6 million on January 31, 2004. The Company's strong operating cash flow in the last 12 months allowed it to reduce its long-term debt by $51.7 million to $74.6 million and to pay $55.8 million in income taxes, $58.8 million in sales commissions, $93.6 million to repurchase 4.5 million shares of its non-voting common stock and $37.0 million in dividends to shareholders. On December 21, 2004, the Company executed a five-year $180.0 million revolving credit facility with several banks, replacing a three-year $170.0 million credit facility that expired on that date. The primary purpose of the credit facility is to provide the Company with additional working capital availability. There are currently no outstanding borrowings against the new facility.

During the first three months of fiscal 2005, the Company repurchased and retired 1,247,686 shares of its non-voting common stock at an average price of $24.70 per share under its repurchase authorization. Approximately 2.0 million shares remain of the current 8.0 million share authorization.

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

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.

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

	Three Months Ended		
	January 31, 2005	January 31, 2004	% Change
Revenue:			
Investment adviser and administration fees	$ 118,918	$ 93,750	27%
Distribution and underwriter fees	35,060	39,876	(12)
Service fees	25,477	21,909	16
Other revenue	2,326	1,438	62
Total revenue	181,781	156,973	16
Expenses:			
Compensation of officers and employees	42,204	37,499	13
Amortization of deferred sales commissions	18,040	20,763	(13)
Service fee expense	21,172	18,632	14
Distribution expense	22,919	18,779	22
Other expenses	14,587	11,197	30
Total expenses	118,922	106,870	11
Operating Income	62,859	50,103	25
Other Income/(Expense):			
Interest income	709	788	(10)
Interest expense	(361)	(1,651)	(78)
Gain on investments	10	5	100
Foreign currency gain (loss)	22	(18)	n/a
Income Before Income Taxes, Equity in Net Income (Loss) of Affiliates and Minority Interest	63,239	49,227	28
Income Taxes	23,368	17,721	32
Equity in Net Income (Loss) of Affiliates, Net of Tax	(577)	9	n/a

Minority Interest, Net of Tax	885	702	26
Net Income	$ 38,409	$ 30,813	25
Earnings Per Share:			
Basic	$ 0.29	$ 0.23	26
Diluted	$ 0.27	$ 0.22	23
Dividends Declared, Per Share	$ 0.08	$ 0.06	33
Weighted Average Shares Outstanding:			
Basic	133,522	136,392	(2)
Diluted	143,711	145,840	(1)

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

	January 31, 2005	October 31, 2004	January 2004
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 147,872	$ 147,137	$ 132,1
Short-term investments	178,884	210,429	130,5
Investment adviser fees and other receivables	34,246	32,249	30,1
Other current assets	4,744	4,861	23,7
Total current assets	365,746	394,676	316,4
Other Assets:			
Deferred sales commissions	151,961	162,259	191,2
Goodwill	89,281	89,281	88,9
Other intangible assets, net	43,181	43,965	45,6
Long-term investments	42,944	36,895	37,8
Equipment and leasehold improvements, net	12,051	12,413	11,9
Other assets	4,410	4,077	3,0
Total other assets	343,828	348,890	378,7
Total assets	$ 709,574	$ 743,566	$ 695,2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accrued compensation	$ 20,029	$ 52,299	$ 15,8
Accounts payable and accrued expenses	26,164	23,789	20,7
Dividend payable	10,638	10,660	8,1
Current portion of long-term debt	-	-	7,1
Other current liabilities	24,587	7,451	6,8
Total current liabilities	81,418	94,199	58,7

Long-Term Liabilities:			
Long-term debt	74,625	74,347	119,1
Deferred income taxes	55,528	57,644	67,4
Total long-term liabilities	130,153	131,991	186,5
Total liabilities	211,571	226,190	245,3
Minority interest	38,506	67,870	26,1
Commitments and contingencies	-	-	
Shareholders' Equity:			
Common stock, par value $0.00390625 per share:			
Authorized, 1,280,000 shares			
Issued, 309,760 shares	1	1	
Non-voting common stock, par value $0.00390625 per share:			
Authorized, 190,720,000 shares			
Issued, 132,872,824, 133,271,560 and 135,986,894 shares, respectively	519	521	5
Notes receivable from stock option exercises	(2,693)	(2,718)	(3,0
Deferred compensation	(3,200)	(2,400)	(3,6
Accumulated other comprehensive income	2,272	1,854	1,8
Retained earnings	462,598	452,248	427,9
Total shareholders' equity	459,497	449,506	423,6
Total liabilities and shareholders' equity	$ 709,574	$ 743,566	$ 695,2

Table 1
Asset Flows (in millions)
Twelve Months Ended January 31, 2005

Assets 1/31/2004 - Beginning of Period	$ 83,644
Long-term fund sales and inflows	17,586
Long-term fund redemptions and outflows	(9,289)
Long-term fund net exchanges	(20)
Long-term fund mkt. value change	1,674
Institutional and HNW account inflows	3,298
Institutional and HNW account outflows	(3,106)
Institutional and HNW assets acquired1	1,943
Retail managed account inflows	2,321
Retail managed account outflows	(1,289)
Separate account mkt. value change	1,391
Change in money market funds	(144)
Net change	14,365
Assets 1/31/2005 - End of Period	$ 98,009

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

	January 2005	October 31 2004	% Change	January 3 2004	% Change
Equity Funds	$ 39,329	$ 36,895	6.6%	$ 33,211	8.4%
Fixed Income Funds	17,710	17,553	0.9%	18,252	-3.0%
Bank Loan Funds	15,558	15,034	3.5%	11,180	39.2%
Money Market Funds	325	389	-16.5%	469	-30.7%
Separate Accounts	25,087	24,475	2.5%	20,528	22.2%
Total	$ 98,009	$ 94,346	3.9%	$ 83,641	7.2%

Table 3
Asset Flows by Investment Objective (in millions)

	Three Months Ended	
	January 31, 2005	January 31, 2004
Equity Fund Assets - Beginning of Period	$ 36,895	$ 28,854
Sales/Inflows	2,057	3,445
Redemptions/Outflows	(993)	(700)
Exchanges	19	51
Market Value Change	1,351	1,565
Net Change	2,434	4,361
Equity Fund Assets - End of Period	$ 39,329	$ 33,215
Fixed Income Fund Assets - Beginning of Period	17,553	17,801
Sales/Inflows	679	728
Redemptions/Outflows	(584)	(553)
Exchanges	(11)	(89)
Market Value Change	73	365
Net Change	157	451
Fixed Income Fund Assets - End of Period	$ 17,710	$ 18,252
Bank Loan Fund Assets - Beginning of Period	15,034	9,547
Sales/Inflows	1,183	1,983
Redemptions/Outflows	(715)	(378)
Exchanges	(8)	32
Market Value Change	64	(4)
Net Change	524	1,633
Bank Loan Fund Assets - End of Period	$ 15,558	$ 11,180

Long-Term Fund Assets - Beginning of Period	69,482	56,202
Sales/Inflows	3,919	6,156
Redemptions/Outflows	(2,292)	(1,631)
Exchanges	-	(6)
Market Value Change	1,488	1,926
Net Change	3,115	6,445
Total Long-Term Fund Assets - End of Period	$ 72,597	$ 62,647
Separate Accounts - Beginning of Period	24,475	18,397
Institutional/HNW Account Inflows	712	1,097
Institutional/HNW Account Outflows	(1,438)	(332)
Retail Managed Account Inflows	827	504
Retail Managed Account Outflows	(446)	(210)
Separate accounts market value change	957	1,072
Net Change	612	2,131
Separate accounts - End of Period	$ 25,087	$ 20,528
Money market fund assets - End of Period	325	469
Total Assets Under Management - End of Period	$ 98,009	$ 83,644

1 Deutsche Bank's Scudder Private Investment Counsel assets acquired by Eaton Vance in July 2004

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