

PRICE T ROWE GROUP INC  
Form 10-Q  
July 23, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2015  
Commission File Number: 000-32191

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T. ROWE PRICE GROUP, INC.  
(Exact name of registrant as specified in its charter)

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Maryland	52-2264646
(State of incorporation)	(I.R.S. Employer Identification No.)
100 East Pratt Street, Baltimore, Maryland 21202	
(Address, including Zip Code, of principal executive offices)	
(410) 345-2000	
(Registrant's telephone number, including area code)	

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months, 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.  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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The number of shares outstanding of the issuer's common stock (\$.20 par value), as of the latest practicable date, July 21, 2015, is 256,212,813.

The exhibit index is at Item 6 on page 24.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	12/31/2014	6/30/2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,506.1	\$ 1,269.2
Accounts receivable and accrued revenue	442.8	449.4
Investments in sponsored funds	1,884.0	1,856.7
Other investments	408.3	414.4
Property and equipment, net	586.4	607.3
Goodwill	665.7	665.7
Other assets	151.1	152.8
Total assets	\$ 5,644.4	\$ 5,415.5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 143.4	\$ 168.5
Accrued compensation and related costs	82.2	267.9
Income taxes payable	23.6	12.0
Total liabilities	249.2	448.4
Commitments and contingent liabilities		
<b>Stockholders' equity</b>		
Preferred stock, undesignated, \$.20 par value – authorized and unissued 20,000,000 shares	—	—
Common stock, \$.20 par value - authorized 750,000,000; issued 261,110,000 shares at December 31, 2014 and 257,428,000 at June 30, 2015	52.2	51.5
Additional capital in excess of par value	756.5	647.9
Retained earnings	4,450.1	4,141.9
Accumulated other comprehensive income	136.4	125.8
Total stockholders' equity	5,395.2	4,967.1
Total liabilities and stockholders' equity	\$ 5,644.4	\$ 5,415.5

The accompanying notes are an integral part of these statements.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per-share amounts)

	Three months ended		Six months ended	
	6/30/2014	6/30/2015	6/30/2014	6/30/2015
Revenues				
Investment advisory fees	\$855.3	\$942.2	\$1,681.7	\$1,838.7
Administrative fees	93.6	91.6	188.1	184.6
Distribution and servicing fees	35.4	38.6	69.1	76.1
Net revenues	984.3	1,072.4	1,938.9	2,099.4
Operating expenses				
Compensation and related costs	326.4	360.9	645.3	707.4
Advertising and promotion	14.6	14.2	37.2	39.5
Distribution and servicing costs	35.4	38.6	69.1	76.1
Depreciation and amortization of property and equipment	28.0	32.2	55.1	61.3
Occupancy and facility costs	36.0	39.9	71.4	78.2
Other operating expenses	70.8	78.8	138.6	151.3
Total operating expenses	511.2	564.6	1,016.7	1,113.8
Net operating income	473.1	507.8	922.2	985.6
Non-operating investment income	26.1	33.0	68.2	59.8
Income before income taxes	499.2	540.8	990.4	1,045.4
Provision for income taxes	193.4	207.6	380.3	402.7
Net income	\$305.8	\$333.2	\$610.1	\$642.7
Earnings per share on common stock				
Basic	\$1.16	\$1.28	\$2.32	\$2.45
Diluted	\$1.13	\$1.24	\$2.25	\$2.39
Dividends declared per share	\$.44	\$.52	\$.88	\$3.04

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions)

	Three months ended		Six months ended	
	6/30/2014	6/30/2015	6/30/2014	6/30/2015
Net income	\$305.8	\$333.2	\$610.1	\$642.7
Other comprehensive income (loss)				
Net unrealized holding gains on available-for-sale investments	37.4	5.1	59.8	22.1
Reclassification adjustments recognized in non-operating investment income:				
Net gains realized on dispositions determined using average cost	(11.7	) (22.7	) (43.7	) (39.3
Total net unrealized holding gains (losses) recognized in other comprehensive income	25.7	(17.6	) 16.1	(17.2
Currency translation adjustments	4.8	(1.9	) 7.3	(4.1
Other comprehensive income (loss) before income taxes	30.5	(19.5	) 23.4	(21.3
Deferred tax benefits (income taxes)	(11.6	) 7.1	(8.8	) 10.7
Total other comprehensive income (loss)	18.9	(12.4	) 14.6	(10.6
Total comprehensive income	\$324.7	\$320.8	\$624.7	\$632.1

The accompanying notes are an integral part of these statements.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Six months ended	
	6/30/2014	6/30/2015
Cash flows from operating activities		
Net income	\$610.1	\$642.7
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	55.1	61.3
Stock-based compensation expense	61.8	66.6
Realized gains on dispositions of sponsored funds	(43.7)	(39.3)
Net gains recognized on other investments	(11.4)	(6.2)
Net change in trading securities held by consolidated sponsored investment portfolios	(77.2)	(5.0)
Other changes in assets and liabilities	130.9	166.6
Net cash provided by operating activities	725.6	886.7
Cash flows from investing activities		
Investments in sponsored funds	(242.0)	(146.4)
Dispositions of sponsored funds	121.8	195.6
Additions to property and equipment	(59.7)	(79.9)
Other investing activity	(7.9)	(3.2)
Net cash used in investing activities	(187.8)	(33.9)
Cash flows from financing activities		
Repurchases of common stock	(56.9)	(353.8)
Common share issuances under stock-based compensation plans	39.5	42.0
Excess tax benefits from stock-based compensation plans	17.6	16.6
Dividends paid	(231.7)	(794.5)
Net cash used in financing activities	(231.5)	(1,089.7)
Cash and cash equivalents		
Net change during period	306.3	(236.9)
At beginning of year	1,398.0	1,506.1
At end of period	\$1,704.3	\$1,269.2

The accompanying notes are an integral part of these statements.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(shares in thousands; dollars in millions)

	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	Accumulated other comprehensive income	Total stockholders' equity
Balances at December 31, 2014	261,110	\$52.2	\$756.5	\$4,450.1	\$ 136.4	\$5,395.2
Net income				642.7		642.7
Other comprehensive loss, net of tax					(10.6 )	(10.6 )
Dividends declared				(794.7 )		(794.7 )
Common stock-based compensation plans activity						
Shares issued upon option exercises	1,168	.2	36.2			36.4
Restricted shares issued, net of shares withheld for taxes	3	—	(.1 )			(.1 )
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	2	—	—			—
Forfeiture of restricted awards	(45 )	—	—			—
Net tax benefits			16.5			16.5
Stock-based compensation expense			66.6			66.6
Restricted stock units issued as dividend equivalents			.1	(.1 )		—
Common shares repurchased	(4,810 )	(.9 )	(227.9 )	(156.1 )		