Lazard Ltd Form 10-Q November 02, 2011 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from ______ to _____

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

Bermuda (State or Other Jurisdiction of Incorporation or Organization) 98-0437848 (I.R.S. Employer Identification No.)

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant s telephone number: (441) 295-1422

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 x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 x 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 x Non-accelerated filer " Accelerated filer " 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 x

As of October 24, 2011, there were 122,871,152 shares of the Registrant s Class A common stock (including 4,815,788 shares held by subsidiaries) and one share of the Registrant s Class B common stock outstanding.

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When we use the terms Lazard, we, us, our and the Company, we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (Lazard Group), that is the current holding company for our businesses. Lazard Ltd has no operating assets other than indirect ownership as of September 30, 2011 of approximately 94.7% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

(UNAUDITED)

(dollars in thousands, except for per share data)

	Sej	ptember 30, 2011	December 31, 2010
ASSETS			
Cash and cash equivalents	\$	989,894	\$1,209,695
Deposits with banks		267,906	356,539
Cash deposited with clearing organizations and other segregated cash		66,219	92,911
Receivables-net:			
Fees		439,857	480,340
Customers and other		141,246	63,490
Related parties		14,248	24,874
		595,351	568,704
Investments		346,912	417,410
Property (net of accumulated amortization and depreciation of \$268,374 and \$250,898 at September 30, 2011 and December 31, 2010, respectively)		150,708	150,524
Goodwill and other intangible assets (net of accumulated amortization of \$19,903 and \$15,007 at September 30, 2011 and December 31, 2010, respectively)		394,382	361,439
Other assets		325,097	265,310
Total assets	\$	3,136,469	\$ 3,422,532

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

(UNAUDITED)

(dollars in thousands, except for per share data)

	3,422,532 ptember 30 ,	3,422,532 cember 31,
LIABILITIES AND STOCKHOLDERS EQUITY	2011	2010
Liabilities:		
Deposits and other customer payables	\$ 342,704	\$ 361,553
Accrued compensation and benefits	250,252	498,880
Senior debt	1,076,850	1,076,850
Capital lease obligations	21,576	22,903
Related party payables	4,082	2,819
Other liabilities	523,023	513,410
Subordinated debt		150,000
Total liabilities	2,218,487	2,626,415
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 and 22,021 shares issued and outstanding at September 30, 2011 and December 31,		
2010, respectively		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 122,871,152 and 119,697,936 shares		
issued at September 30, 2011 and December 31, 2010, respectively, including shares held by a subsidiary		
as indicated below)	1,229	1,197
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at September 30, 2011 and December 31, 2010)		
Additional paid-in-capital	685,800	758,841
Retained earnings	285,575	166,468
Accumulated other comprehensive loss, net of tax	(57,712)	(46,158)
		(10,200)
	914,892	880,348
Class A common stock held by a subsidiary, at cost (4,098,431 and 6,847,508 shares at September 30,	914,092	880,548
2011 and December 31, 2010, respectively)	(141,593)	(227,950)
2011 and December 51, 2010, respectively)	(141,5)5)	(227,950)
Total Lazard Ltd stockholders equity	773,299	652,398
Noncontrolling interests	144,683	143,719
	,	- ,'
Total stockholders equity	917,982	796,117

Total liabilities and stockholders equity

\$ 3,136,469 \$ 3,422,532

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

(dollars in thousands, except for per share data)

	138,094,101	138,094,101	138,094,101	138,094,101		
		nths Ended nber 30,	Nine Months Ended September 30,			
	2011	2010	2011	2010		
REVENUE	¢040.050	¢ 045 004	¢ 711 701	¢ 750.795		
Investment banking and other advisory fees	\$248,358	\$ 245,294	\$ 711,781	\$ 759,785		
Money management fees Interest income	213,276 3,418	202,662 5,430	658,874 11,273	560,664 16,037		
Other	19,531	23,924	64,601	,		
Ottler	19,551	25,924	04,001	47,785		
Total revenue	484,583	477,310	1,446,529	1,384,271		
Interest expense	22,164	24,073	68,795	73,788		
Net revenue	462,419	453,237	1,377,734	1,310,483		
OPERATING EXPENSES						
Compensation and benefits	273,532	282,528	830,011	845,926		
Occupancy and equipment	24,345	22,414	70,030	65,004		
Marketing and business development	19,844	17,503	58,834	51,358		
Technology and information services	20,417	18,904	60,566	53,552		
Professional services	11,434	10,731	34,395	29,716		
Fund administration and outsourced services	14,019	12,037	40,777	34,407		
Amortization of intangible assets related to acquisitions	1,716	1,719	4,896	5,258		
Restructuring				87,108		
Other	9,374	7,934	27,839	26,117		
Total operating expenses	374,681	373,770	1,127,348	1,198,446		
OPERATING INCOME	87,738	79,467	250,386	112,037		
Provision for income taxes	20,605	9,113	51,704	29,049		
NET INCOME	67,133	70,354	198,682	82,988		
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	4,434	6,263	18,972	7,859		
NET INCOME ATTRIBUTABLE TO LAZARD LTD	\$ 62,699	\$ 64,091	\$ 179,710	\$ 75,129		

ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:

WEIGHTED AVERAGE SHARES OF COMMON STOCK

OUTSTANDING:				
Basic	118,315,944	111,059,071	117,586,028	101,440,741
Diluted	136,857,956	138,094,101	138,265,494	135,554,131
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	\$0.53	\$0.58	\$1.53	\$0.74
Diluted	\$0.49	\$0.51	\$1.39	\$0.58
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.16	\$0.125	\$0.445	\$0.375

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

(dollars in thousands)

2011 2010 CASH ECONS FROM OPERATING ACTIVITIES: Net income \$ 198,682 \$ 82,988 Adjustments to reconcile net income: Depreciation and amorization of property 18,176 16,131 Amorization of deferred expenses, share-based incentive compensation and interest rate hedge 228,213 257,840 Amorization of intangible assets related to acquisitions 4,896 5,258 (Gain) loss on extinguishment of debt (18,171) 424 (Increase) decrease in operating assets: 28,574 (44,255) Cash deposited with clearing organizations and other segregated cash 28,574 (48,8109) Increase / decrease in operating lassets: (28,681) (88,109) Investments 71,127 (38,902) (191,480) (21,487) 48,741 Accrued compensation and benefits and other liabilities: 221,620 46,638 CASH ELOWS FROM INVESTING ACTIVITIES: 71,579 Distributions relating to equity method investments 353 301 Proceeds from sales and maturities of available-for-sale securiti		Nine Mont Septeml	
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Increase (decrease) in operating liabilities:Deposits and other payables(22,187)83,741Accrued compensation and benefits and other liabilities(230,935)(191,480)Net cash provided by operating activities281,62046,638CASH FLOWS FROM INVESTING ACTIVITIES:Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities(131,829)(10,375)Capital lease obligations(1,600)(1,620)Distributions for(1,600)(1,620)Distribution for noncontrolling interests(21,431)Capital lease obligations(21,431)(20,315)	Investments	71,127	(38,902)
Deposits and other payables(22,187)83,741Accrued compensation and benefits and other liabilities(230,935)(191,480)Net cash provided by operating activities281,62046,638CASH FLOWS FROM INVESTING ACTIVITIES:Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,620)(1,600)Distributions to noncontrolling interests(12,431)(20,315)	Other assets	(64,267)	(35,174)
Accrued compensation and benefits and other liabilities(230,935)(191,480)Net cash provided by operating activities281,62046,638CASH FLOWS FROM INVESTING ACTIVITIES:Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)	Increase (decrease) in operating liabilities:		
Net cash provided by operating activities281,62046,638CASH FLOWS FROM INVESTING ACTIVITIES:Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,620)Distributions to noncontrolling interests(12,431)(20,315)		(22,187)	83,741
Net cash provided by operating activities281,62046,638CASH FLOWS FROM INVESTING ACTIVITIES:Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,620)Distributions to noncontrolling interests(12,431)(20,315)	Accrued compensation and benefits and other liabilities	(230,935)	(191,480)
Distributions relating to equity method investments51,437Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES:Proceeds from:3,8213,005Excess tax benefits from share-based incentive compensation2,848Other financing activities6,6386,638Payments for:55Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(12,431)(20,315)		281,620	46,638
Additions to property(17,277)(10,073)Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)			
Disposals of property353301Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8486,638Other financing activities6,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)			
Proceeds from sales and maturities of available-for-sale securities71,579Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)			
Net cash provided by (used in) investing activities(16,924)113,244CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,6386,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)		353	
CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from: Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,8480Other financing activities6,638Payments for: Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)	Proceeds from sales and maturities of available-for-sale securities		71,579
Proceeds from:Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,848Other financing activities6,638Payments for:Senior and subordinated debt(131,829)Capital lease obligations(1,600)Distributions to noncontrolling interests(21,431)(20,315)	Net cash provided by (used in) investing activities	(16,924)	113,244
Contribution from noncontrolling interests3,8213,005Excess tax benefits from share-based incentive compensation2,848Other financing activities6,638Payments for:Senior and subordinated debt(131,829)Capital lease obligations(1,600)Distributions to noncontrolling interests(21,431)(20,315)	CASH FLOWS FROM FINANCING ACTIVITIES:		
Excess tax benefits from share-based incentive compensation2,848Other financing activities6,638Payments for:5Senior and subordinated debt(131,829)Capital lease obligations(1,600)Distributions to noncontrolling interests(21,431)(20,315)	Proceeds from:		
Excess tax benefits from share-based incentive compensation2,848Other financing activities6,638Payments for:Senior and subordinated debt(131,829)Capital lease obligations(1,600)Distributions to noncontrolling interests(21,431)(20,315)	Contribution from noncontrolling interests	3,821	3,005
Other financing activities6,638Payments for:Senior and subordinated debt(131,829)Capital lease obligations(1,600)Distributions to noncontrolling interests(21,431)(20,315)		2.848	
Payments for:(131,829)(10,375)Senior and subordinated debt(131,829)(10,375)Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)		2,010	6 638
Senior and subordinated debt (131,829) (10,375) Capital lease obligations (1,600) (1,626) Distributions to noncontrolling interests (21,431) (20,315)			0,000
Capital lease obligations(1,600)(1,626)Distributions to noncontrolling interests(21,431)(20,315)		(131 829)	(10.375)
Distributions to noncontrolling interests (21,431) (20,315)			
Repurchase of common membership interests from members of LAZ-MD Holdings (794) (5 072)	Repurchase of common membership interests from members of LAZ-MD Holdings	(794)	(5,072)
Purchase of Class A common stock (158,617) (106,316)	· · ·		

Class A common stock dividends	(51,409)	(36,714)
Settlement of vested share-based incentive compensation	(92,337)	(54,947)
Other financing activities	(33,386)	(53)
Net cash used in financing activities	(484,734)	(225,775)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	237	(4,005)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(219,801)	(69,898)
CASH AND CASH EQUIVALENTS January 1	1,209,695	917,329
CASH AND CASH EQUIVALENTS September 30	\$ 989,894	\$ 847,431
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Supplemental investing non-cash transaction:		
Class A common stock issued/issuable in connection with business acquisitions	\$ 39,654	\$
		•

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011

(UNAUDITED)

(dollars in thousands)

	Series Preferr Stock	red	Common S	Stock	Additional Paid-In-	(Retained	Accumulated Other Comprehensive Income (Loss), I Net of	Class	on Stock Subsidiary	Total Lazard Ltd StockholderN		Total in g tockholders
	Shares	\$	Shares (*)	\$	Capital	Earnings		Shares	\$	Equity	Interests	Equity
alance January 1, 2011	22,021	\$	119,697,937	\$ 1,197	\$ 758,841	\$ 166,468	8 \$ (46,158)	6,847,508	\$ (227,950)) \$ 652,398	\$ 143,719	\$ 796,117
Comprehensive income (loss): let income						179,710	0			179,710	18,972	198,682
Other comprehensive income loss) - net of tax:						,				,	10,21	170,002
Currency translation djustments							(5,866)			(5,866)	(456)) (6,322)
mortization of interest rate edge							749			749	42	791
Imployee benefit plans: let actuarial loss idjustments for items							(7,778)			(7,778)	(437)) (8,215)
eclassified to earnings							1,585			1,585	89	1,674
Comprehensive income										168,400	18,210	186,610
usiness acquisitions:												
Class A common stock ssued/issuable (including in onnection with LAM Merger					41 600					41 600	2 115	44 802
nd related amortization) Conversion of Series A referred stock into Class A					41,688					41,688	3,115	44,803
ommon stock Delivery of Class A common	(14,100)		2,434,561	25	(25)							
tock					(45,935)			(1,247,555)	45,147	(788)		(788)
mortization of share-based ncentive compensation Dividend-equivalents					200,230 9,140	(9,194	4)			200,230 (54)	11,236 (3)	
lass A common stock ividends						(51,409	<i>.</i>))			(51,409)		(51,409)
urchase of Class A common tock								4,318,916	(158,617)	(158,617)		(158,617)
Delivery of Class A common tock in connection with hare-based incentive ompensation and related tax												
enefits of \$2,178					(290,059) (751)			(5,820,438)	199,827	(90,232) (751)		

epurchase of common												/
nembership interests from AZ-MD Holdings												
Llass A common stock issued n exchange for Lazard Group ommon membership interests		73	8,655	7	(7)							
djustment related to the hange in Lazard Ltd s wnership in Lazard Group			,002		(1,580)					(1,580)		(1,580)
Distributions to noncontrolling nterests, net											(17,610)	(17,610)
Other adjustments related to oncontrolling interests					14,258		(244)			14,014	(14,014)	
alance September 30, 2011	7,921	\$ 122,871	1, 15 3 §	\$ 1,229	\$ 685,800	\$ 285,575	\$ (57,712)	4,098,431	\$ (141,593)	\$ 773,299	\$ 144,683	\$ 917,982