

Lazard Ltd  
Form 10-Q  
July 30, 2013  
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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 June 30, 2013

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**

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(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  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  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

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

As of July 24, 2013, there were 129,056,081 shares of the Registrant's Class A common stock (including 7,115,597 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 material operating assets other than indirect ownership as of June 30, 2013 of approximately 99.5% 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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**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****JUNE 30, 2013 AND DECEMBER 31, 2012****(UNAUDITED)****(dollars in thousands, except for per share data)**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 601,485	\$ 850,190
Deposits with banks	344,839	292,494
Cash deposited with clearing organizations and other segregated cash	60,767	65,232
Receivables (net of allowance for doubtful accounts of \$24,593 and \$23,017 at June 30, 2013 and December 31, 2012, respectively):		
Fees	391,762	400,529
Customers and other	117,902	53,713
Related parties	15,242	23,801
	524,906	478,043
Investments	449,364	414,673
Property (net of accumulated amortization and depreciation of \$232,487 and \$225,861 at June 30, 2013 and December 31, 2012, respectively)	241,949	225,033
Goodwill and other intangible assets (net of accumulated amortization of \$37,162 and \$35,281 at June 30, 2013 and December 31, 2012, respectively)	375,207	392,822
Other assets	322,712	268,406
<b>Total Assets</b>	<b>\$ 2,921,229</b>	<b>\$ 2,986,893</b>

See notes to condensed consolidated financial statements.

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****JUNE 30, 2013 AND DECEMBER 31, 2012****(UNAUDITED)****(dollars in thousands, except for per share data)**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Deposits and other customer payables	\$ 385,985	\$ 269,763
Accrued compensation and benefits	336,194	467,578
Senior debt	1,076,850	1,076,850
Capital lease obligations	16,168	17,863
Related party payables	4,759	3,648
Other liabilities	509,062	499,651
Total Liabilities	2,329,018	2,335,353
Commitments and contingencies		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at June 30, 2013 and December 31, 2012		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 129,056,081 and 128,216,423 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively, including shares held by subsidiaries as indicated below)	1,290	1,282
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at June 30, 2013 and December 31, 2012)		
Additional paid-in-capital	659,365	846,050
Retained earnings	193,958	182,647
Accumulated other comprehensive loss, net of tax	(141,489)	(110,541)
	713,124	919,438
Class A common stock held by subsidiaries, at cost (7,159,311 and 12,802,938 shares at June 30, 2013 and December 31, 2012, respectively)	(195,040)	(349,782)
Total Lazard Ltd Stockholders Equity	518,084	569,656
Noncontrolling interests	74,127	81,884
Total Stockholders Equity	592,211	651,540
Total Liabilities and Stockholders Equity	\$ 2,921,229	\$ 2,986,893

See notes to condensed consolidated financial statements.



**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012****(UNAUDITED)****(dollars in thousands, except for per share data)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>REVENUE</b>				
Investment banking and other advisory fees	\$260,241	\$240,306	\$428,345	\$513,847
Money management fees	234,921	201,642	466,058	406,203
Interest income	1,345	1,715	2,476	3,865
Other	14,209	13,568	35,895	39,777
Total revenue	510,716	457,231	932,774	963,692
Interest expense	20,311	20,321	40,466	40,743
Net revenue	490,405	436,910	892,308	922,949
<b>OPERATING EXPENSES</b>				
Compensation and benefits	331,131	283,392	608,870	621,709
Occupancy and equipment	39,738	28,347	69,042	54,629
Marketing and business development	25,377	22,322	43,569	50,589
Technology and information services	20,134	21,275	43,114	41,668
Professional services	10,706	13,274	19,319	22,585
Fund administration and outsourced services	15,388	12,670	28,853	26,121
Amortization of intangible assets related to acquisitions	1,004	2,560	1,881	3,678
Other	5,989	8,537	15,125	19,614
Total operating expenses	449,467	392,377	829,773	840,593
<b>OPERATING INCOME</b>	<b>40,938</b>	<b>44,533</b>	<b>62,535</b>	<b>82,356</b>
Provision for income taxes	9,017	10,371	12,965	19,138
<b>NET INCOME</b>	<b>31,921</b>	<b>34,162</b>	<b>49,570</b>	<b>63,218</b>
<b>LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>568</b>	<b>3,341</b>	<b>2,857</b>	<b>6,845</b>
<b>NET INCOME ATTRIBUTABLE TO LAZARD LTD</b>	<b>\$ 31,353</b>	<b>\$ 30,821</b>	<b>\$ 46,713</b>	<b>\$ 56,373</b>
<b>ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS: WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:</b>				
Basic	121,759,982	118,235,320	119,734,093	118,732,431
Diluted	132,464,296	134,636,935	132,639,928	135,615,557
<b>NET INCOME PER SHARE OF COMMON STOCK:</b>				
Basic	\$0.26	\$0.26	\$0.39	\$0.47



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Diluted	\$0.24	\$0.24	\$0.36	\$0.44
<b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>	<b>\$0.25</b>	<b>\$0.20</b>	<b>\$0.25</b>	<b>\$0.36</b>

See notes to condensed consolidated financial statements.

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012****(UNAUDITED)****(dollars in thousands)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>NET INCOME</b>	\$ 31,921	\$ 34,162	\$ 49,570	\$ 63,218
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>				
Currency translation adjustments	(18,334)	(21,083)	(30,767)	(1,954)
Amortization of interest rate hedge	263	263	527	527
Employee benefit plans:				
Actuarial gain (loss) (net of tax benefit (expense) of \$(84) and \$1,443 for the three months ended June 30, 2013 and 2012, respectively, and \$1,711 and \$2,725 for the six months ended June 30, 2013 and 2012, respectively)	704	(3,457)	(2,719)	(6,054)
Adjustment for items reclassified to earnings (net of tax expense of \$400 and \$281 for the three months ended June 30, 2013 and 2012, respectively, and \$802 and \$578 for the six months ended June 30, 2013 and 2012, respectively)	1,212	826	2,430	1,641
<b>OTHER COMPREHENSIVE LOSS, NET OF TAX</b>	(16,155)	(23,451)	(30,529)	(5,840)
<b>COMPREHENSIVE INCOME</b>	15,766	10,711	19,041	57,378
<b>LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	546	2,096	2,678	6,698
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD</b>	\$ 15,220	\$ 8,615	\$ 16,363	\$ 50,680

See notes to condensed consolidated financial statements.

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012****(UNAUDITED)****(dollars in thousands)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 49,570	\$ 63,218
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items included in net income:		
Depreciation and amortization of property	16,593	14,800
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	166,905	173,083
Amortization of intangible assets related to acquisitions	1,881	3,678
(Increase) decrease in operating assets:		
Deposits with banks	(55,064)	(47,391)
Cash deposited with clearing organizations and other segregated cash	3,242	(4,583)
Receivables-net	(54,872)	17,417
Investments	(37,502)	(58,317)
Other assets	(91,386)	(59,656)
Increase (decrease) in operating liabilities:		
Deposits and other payables	120,637	60,091
Accrued compensation and benefits and other liabilities	(106,446)	(127,851)
<b>Net cash provided by operating activities</b>	<b>13,558</b>	<b>34,489</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	(41,347)	(48,941)
Disposals of property	5,739	2,053
<b>Net cash used in investing activities</b>	<b>(35,608)</b>	<b>(46,888)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Contribution from noncontrolling interests	324	784
Excess tax benefits from share-based incentive compensation	2,211	
Other financing activities		10
Payments for:		
Capital lease obligations	(1,542)	(1,336)
Distributions to noncontrolling interests	(7,605)	(13,462)
Purchase of Class A common stock	(50,447)	(152,413)
Class A common stock dividends	(30,338)	(43,011)
Settlement of vested share-based incentive compensation	(119,782)	(29,421)
Other financing activities	(103)	(59)
<b>Net cash used in financing activities</b>	<b>(207,282)</b>	<b>(238,908)</b>

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<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(19,373)	(1,246)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(248,705)	(252,553)
<b>CASH AND CASH EQUIVALENTS January 1</b>	850,190	1,003,791
<b>CASH AND CASH EQUIVALENTS June 30</b>	\$ 601,485	\$ 751,238

See notes to condensed consolidated financial statements.

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## LAZARD LTD

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	\$	Shares(*)	\$				Shares	\$			
<b>Balance January 1, 2012</b>	<b>7,921</b>	<b>\$</b>	<b>123,009,312</b>	<b>\$ 1,230</b>	<b>\$ 659,013</b>	<b>\$ 258,646</b>	<b>\$ (88,364)</b>	<b>3,492,017</b>	<b>\$ (104,382)</b>	<b>\$ 726,143</b>	<b>\$ 140,713</b>	<b>\$ 866,856</b>
Comprehensive income (loss):												
Net income						56,373				56,373	6,845	63,218
Other comprehensive income (loss) - net of tax:												
Currency translation adjustments							(2,004)			(2,004)	50	(1,954)
Amortization of interest rate hedge							500			500	27	527
Employee benefit plans:												
Net actuarial loss							(5,747)			(5,747)	(307)	(6,054)
Adjustments for items reclassified to earnings							1,558			1,558	83	1,641
Comprehensive income										50,680	6,698	57,378
Business acquisitions and related equity transactions:												
Class A common stock issued/issuable (including related amortization)					2,865					2,865	153	3,018
Amortization of share-based incentive compensation					144,766					144,766	7,720	152,486
Dividend-equivalents					7,277	(7,326)				(49)	(3)	(52)
Class A common stock dividends						(43,011)				(43,011)		(43,011)
Purchase of Class A common stock								5,706,592	(152,413)	(152,413)		(152,413)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax expense of \$972					(119,757)			(2,808,832)	89,413	(30,344)	(49)	(30,393)
Class A common stock issued in exchange for Lazard Group common membership interests			186,701	2	(2)							
Distributions to noncontrolling interests, net											(12,678)	(12,678)

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Deconsolidation of investment companies			(14,783)	(14,783)
Adjustments related to noncontrolling interests	5,902	(114)	5,788	(5,788)
<b>Balance June 30, 2012</b>	<b>7,921</b>			