

BlackRock Inc.
Form 10-Q
November 08, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 September 30, 2007

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 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

40 East 52nd Street, New York, NY 10022

(Address of principal executive offices)

(Zip Code)

32-0174431
(I.R.S. Employer
Identification No.)

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(212) 810-5300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer

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 October 31, 2007, there were 116,824,060 shares of the registrant's common stock outstanding.

BlackRock, Inc.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition**

(Dollar amounts in thousands)

(unaudited)

	September 30,	December 31,
	2007	2006
Assets		
Cash and cash equivalents	\$ 2,320,579	\$ 1,160,304
Accounts receivable	1,155,996	964,366
Due from affiliates	96,606	113,184
Investments	2,680,751	2,097,574
Separate account assets	4,829,861	4,299,879
Deferred mutual fund sales commissions, net	178,407	177,242
Property and equipment, net	250,481	214,784
Intangible assets, net	5,789,240	5,882,430
Goodwill	5,454,521	5,257,017
Other assets	322,092	302,712
Total assets	\$ 23,078,534	\$ 20,469,492
Liabilities		
Accrued compensation	\$ 807,870	\$ 1,051,273
Accounts payable and accrued liabilities	776,928	753,839
Due to affiliates	245,890	243,836
Short-term borrowings	450,000	
Long-term borrowings	946,879	253,167
Separate account liabilities	4,829,861	4,299,879
Deferred taxes	1,792,199	1,738,670
Other liabilities	501,716	237,856
Total liabilities	10,351,343	8,578,520
Non-controlling interest	1,458,879	1,109,092
Stockholders equity		
Common stock (\$0.01 par value, 500,000,000 shares authorized, 117,381,582 shares issued at September 30, 2007 and December 31, 2006)	1,174	1,174
Series A participating preferred stock (\$0.01 par value, 500,000,000 shares authorized and 12,604,918 shares issued and outstanding)	126	126
Additional paid-in capital	10,070,480	9,799,447
Retained earnings	1,387,478	993,821
Accumulated other comprehensive income, net	85,478	44,666
Treasury stock, common, at cost (2,025,045 and 972,685 shares held at September 30, 2007 and December 31, 2006, respectively)	(276,424)	(57,354)

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Total stockholders' equity	11,268,312	10,781,880
Total liabilities, non-controlling interest and stockholders' equity	\$ 23,078,534	\$ 20,469,492

See accompanying notes to condensed consolidated financial statements.

PART I FINANCIAL INFORMATION (continued)**Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Income**

(Dollar amounts in thousands, except per share data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue				
Investment advisory and administration fees				
Unaffiliated	\$ 495,127	\$ 158,707	\$ 1,169,760	\$ 606,748
Affiliated	680,685	115,799	1,878,308	331,395
Distribution fees	32,310	2,263	89,997	7,177
Other revenue	89,957	46,289	262,411	134,131
Total revenue	1,298,079	323,058	3,400,476	1,079,451
Expenses				
Employee compensation and benefits	505,107	198,099	1,270,883	566,993
Portfolio administration and servicing costs				
Unaffiliated	16,308	9,201	47,405	28,378
Affiliated	122,542	7,181	353,609	20,151
Amortization of deferred sales commissions	28,763	1,341	79,034	4,645
General and administration	194,442	75,834	602,290	192,666
Termination of closed-end fund administration and servicing arrangements	128,114		128,114	
Fee sharing payment				34,450
Amortization of intangible assets	31,085	2,394	93,193	6,451
Total expenses	1,026,361	294,050	2,574,528	853,734
Operating income	271,718	29,008	825,948	225,717
Non-operating income (expense)				
Net gain (loss) on investments	117,895	(1,737)	478,458	9,165
Interest and dividend income	20,109	5,668	52,204	16,675
Interest expense	(9,815)	(2,022)	(31,023)	(6,021)
Total non-operating income	128,189	1,909	499,639	19,819
Income before income taxes and non-controlling interest	399,907	30,917	1,325,587	245,536
Income tax expense	63,168	11,108	298,086	89,963
Income before non-controlling interest	336,739	19,809	1,027,501	155,573
Non-controlling interest	81,539	895	354,669	2,394

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Net income	\$	255,200	\$	18,914	\$	672,832	\$	153,179
Earnings per share								
Basic	\$	1.99	\$	0.29	\$	5.24	\$	2.38
Diluted	\$	1.94	\$	0.28	\$	5.12	\$	2.29
Dividends declared and paid per share								
	\$	0.67	\$	0.42	\$	2.01	\$	1.26
Weighted-average shares outstanding								
Basic		128,161,027		64,761,447		128,501,575		64,326,752
Diluted		131,316,455		67,477,536		131,534,188		66,903,553

See accompanying notes to condensed consolidated financial statements.

PART I FINANCIAL INFORMATION (continued)**Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(Dollar amounts in thousands)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net income	\$ 255,200	\$ 18,914	\$ 672,832	\$ 153,179
Other comprehensive income, net of tax:				
Net unrealized gain (loss) from available-for-sale investments	(1,417)	456	(2,288)	507
Foreign currency translation adjustment	24,527	467	43,100	3,793
Minimum pension liability adjustment		379		379
Comprehensive income	\$ 278,310	\$ 20,216	\$ 713,644	\$ 157,858

See accompanying notes to condensed consolidated financial statements.

PART I FINANCIAL INFORMATION (continued)**Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Cash Flows**

(Dollar amounts in thousands)

(unaudited)

	Nine months ended September 30,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 672,832	\$ 153,179
Adjustments to reconcile net income to cash from operating activities:		
Non-controlling interest	354,669	2,394
Depreciation and amortization	143,387	29,301
Amortization of deferred mutual fund sales commissions	79,034	4,645
Stock-based compensation	142,329	78,567
Deferred income taxes	(100,576)	(32,965)
Other net gains and net purchases of investments	(584,373)	(3,976)
Earnings from equity method investees	(55,783)	(2,413)
Distributions of earnings from equity method investees	9,375	820
Other adjustments	(1,644)	(2,828)
Changes in operating assets and liabilities:		
Accounts receivable	(195,236)	(66,582)
Due from affiliates		