

PRICE T ROWE GROUP INC  
Form 10-Q  
April 24, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

Commission File Number: 033-07012-99

**T. ROWE PRICE GROUP, INC.**

(Exact name of registrant as specified in its charter)

Maryland  
(State of incorporation)

52-2264646  
(I.R.S. Employer Identification No.)  
100 East Pratt Street, Baltimore, Maryland 21202

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(Address, including Zip Code, of principal executive offices)

(410) 345-2000

(Registrant's telephone number, including area code)

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 ☒

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

The number of shares outstanding of the issuer's common stock (\$.20 par value), as of the latest practicable date, April 20, 2012, is 255,094,745.

The exhibit index is at Item 6 on page 18.

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions, except share data)

	\$000000000 12/31/2011	\$000000000 3/31/2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 897.9	\$ 1,103.5
Accounts receivable and accrued revenue	304.5	322.5
Investments in sponsored mutual funds	764.5	836.8
Debt securities held by savings bank subsidiary	198.4	183.2
Other investments	206.3	280.3
Property and equipment	567.4	564.7
Goodwill	665.7	665.7
Other assets	165.6	120.2
<b>Total assets</b>	<b>\$ 3,770.3</b>	<b>\$ 4,076.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 82.9	\$ 82.8
Accrued compensation and related costs	63.2	103.9
Income taxes payable	30.0	88.7
Customer deposits at savings bank subsidiary	173.5	171.4
<b>Total liabilities</b>	<b>349.6</b>	<b>446.8</b>
<b>Commitments and contingent liabilities</b>		
<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 253,272,000 shares in 2011 and 254,936,000 in 2012	50.7	51.0
Additional capital in excess of par value	502.0	564.1
Retained earnings	2,765.2	2,875.9
Accumulated other comprehensive income	102.8	139.1
<b>Total stockholders' equity</b>	<b>3,420.7</b>	<b>3,630.1</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,770.3</b>	<b>\$ 4,076.9</b>

The accompanying notes are an integral part of these statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per-share amounts)

	Three months ended	
	3/31/2011	3/31/2012
<b>Revenues</b>		
Investment advisory fees	\$ 588.8	\$ 623.0
Administrative fees	80.4	82.9
Distribution and servicing fees	12.7	22.2
Net revenue of savings bank subsidiary	0.5	0.6
 Net revenues	 682.4	 728.7
<b>Operating expenses</b>		
Compensation and related costs	242.9	260.7
Advertising and promotion	25.4	25.8
Distribution and servicing costs	12.7	22.2
Depreciation and amortization of property and equipment	16.6	19.1
Occupancy and facility costs	27.7	30.1
Other operating expenses	45.6	54.6
 Total operating expenses	 370.9	 412.5
 Net operating income	 311.5	 316.2
 Non-operating investment income	 3.9	 5.1
 Income before income taxes	 315.4	 321.3
Provision for income taxes	120.8	123.8
 Net income	 \$ 194.6	 \$ 197.5
 Earnings per share on common stock		
Basic	\$ .75	\$ .78
 Diluted	 \$ .72	 \$ .75
 Dividends declared per share	 \$ .31	 \$ .34

The accompanying notes are an integral part of these statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three months ended	
	3/31/2011	3/31/2012
Net income	\$ 194.6	\$ 197.5
Other comprehensive income (loss)		
Net unrealized holding gains (losses) on		
Investments in sponsored mutual funds	26.1	72.3
Debt securities held by savings bank subsidiary	(0.5)	0.4
Total net unrealized holding gains (losses) recognized in other comprehensive income	25.6	72.7
Currency translation adjustment	(0.6)	(11.3)
Total other comprehensive income (loss) before income taxes	25.0	61.4
Deferred tax benefits (income taxes)	(9.7)	(25.1)
Total other comprehensive income (loss)	15.3	36.3
Total comprehensive income	\$ 209.9	\$ 233.8

The accompanying notes are an integral part of these statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	\$000000000	\$000000000
	Three months ended	
	3/31/2011	3/31/2012
Cash flows from operating activities		
Net income	\$ 194.6	\$ 197.5
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	16.6	19.1
Stock-based compensation expense	21.4	24.1
Intangible asset amortization	.1	.1
Other changes in assets and liabilities	103.3	25.0
Net cash provided by operating activities	336.0	265.8
Cash flows from investing activities		
Investments in debt securities held by savings bank subsidiary	(20.8)	(17.1)
Proceeds from debt securities held by savings bank subsidiary	16.2	30.8
Additions to property and equipment	(11.7)	(18.6)
Other investing activity	(0.7)	(4.4)
Net cash used in investing activities	(17.0)	(9.3)
Cash flows from financing activities		
Repurchases of common stock	(31.3)	
Common share issuances under stock-based compensation plans	26.5	24.1
Excess tax benefits from stock-based compensation plans	13.9	13.9
Dividends	(80.7)	(86.8)
Change in savings bank subsidiary deposits	4.4	(2.1)
Net cash used in financing activities	(67.2)	(50.9)
Cash and cash equivalents		
Net change during period	251.8	205.6
At beginning of year	813.1	897.9
At end of period	\$ 1,064.9	\$ 1,103.5

The accompanying notes are an integral part of these statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(shares in thousands; dollars in millions)

	\$00000000	\$00000000	\$00000000	\$00000000	\$00000000	\$00000000
	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, 2011	253,272	\$ 50.7	\$ 502.0	\$ 2,765.2	\$ 102.8	\$ 3,420.7
Net income				197.5		197.5
Other comprehensive income, net of tax					36.3	36.3
Dividends				(86.8)		(86.8)
Common stock-based compensation plans activity						
Shares issued upon option exercises	1,285	0.2	23.8			24.0
Restricted shares issued, net of shares withheld for taxes	385	.1	(.1)			.0
Shares issued upon vesting of restricted stock units	2	.0	.0			.0
Forfeiture of restricted awards	(8)	.0	.0			
Net tax benefits			14.3			14.3
Stock-based compensation expense			24.1			24.1
Common shares repurchased						
Balances at March 31, 2012	254,936	\$ 51.0	\$ 564.1	\$ 2,875.9	\$ 139.1	\$ 3,630.1