

Lazard Ltd
Form 10-Q
July 31, 2009
[Table of Contents](#)

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, 2009

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 ☒ 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 (§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.

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 30, 2009, there were 88,104,756 shares of the registrant's Class A common stock (including 10,360,118 shares held by a subsidiary) and one share of the registrant's Class B common stock outstanding.

Table of Contents**TABLE OF CONTENTS**

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 assets other than indirect ownership as of June 30, 2009 of approximately 71.2% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

	Page
Part I. Financial Information	
<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	73
<u>Item 4. Controls and Procedures</u>	73
Part II. Other Information	
<u>Item 1. Legal Proceedings</u>	74
<u>Item 1A. Risk Factors</u>	74
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	74
<u>Item 3. Defaults Upon Senior Securities</u>	74
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	75
<u>Item 5. Other Information</u>	75
<u>Item 6. Exhibits</u>	75
<u>Signatures</u>	81

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

<u>Condensed Consolidated Statements of Financial Condition as of June 30, 2009 and December 31, 2008</u>	Page 2
<u>Condensed Consolidated Statements of Operations for the three month and six month periods ended June 30, 2009 and 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2009 and 2008</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the six month periods ended June 30, 2009 and 2008</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****JUNE 30, 2009 AND DECEMBER 31, 2008****(UNAUDITED)****(dollars in thousands, except for per share data)**

	June 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 895,984	\$ 909,707
Cash segregated for regulatory purposes or deposited with clearing organizations	7,904	14,583
Receivables net:		
Banks	87,982	229,092
Fees	329,675	391,251
Customers and other	101,234	81,806
Related parties	10,235	10,377
	529,126	712,526
Investments:		
Debt	320,743	333,070
Equities	73,115	71,105
Other	224,147	215,792
	618,005	619,967
Property (net of accumulated amortization and depreciation of \$227,455 and \$213,249 at June 30, 2009 and December 31, 2008, respectively)	168,098	171,443
Goodwill and other intangible assets (net of accumulated amortization of \$2,838 and \$2,150 at June 30, 2009 and December 31, 2008, respectively)	189,613	175,144
Other assets	244,600	259,561
Total assets	\$ 2,653,330	\$ 2,862,931

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)****JUNE 30, 2009 AND DECEMBER 31, 2008****(UNAUDITED)****(dollars in thousands, except for per share data)**

	June 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 382,334	\$ 541,784
Accrued compensation and benefits	139,430	203,750
Senior debt	1,086,850	1,087,750
Capital lease obligations	25,479	26,825
Related party payables	21,062	37,211
Other liabilities	472,193	503,859
Subordinated debt	150,000	150,000
Total liabilities	2,277,348	2,551,179
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 31,745 shares issued and outstanding at June 30, 2009 and December 31, 2008		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 86,961,899 and 76,294,912 shares issued at June 30, 2009 and December 31, 2008, respectively, including shares held by a subsidiary as indicated below)	870	763
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at June 30, 2009 and December 31, 2008)		
Additional paid-in-capital	538,227	429,694
Retained earnings	179,144	221,410
Accumulated other comprehensive loss, net of tax	(47,759)	(79,435)
	670,482	572,432
Less - Class A common stock held by a subsidiary, at cost (10,597,691 and 9,376,162 shares at June 30, 2009 and December 31, 2008, respectively)	(346,406)	(321,852)
Total Lazard Ltd stockholders equity	324,076	250,580
Noncontrolling interests	51,906	61,172
Total stockholders equity	375,982	311,752
Total liabilities and stockholders equity	\$ 2,653,330	\$ 2,862,931

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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, 2009 AND 2008****(UNAUDITED)****(dollars in thousands, except for per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUE				
Investment banking and other advisory fees	\$236,387	\$279,431	\$ 397,789	\$476,155
Money management fees	120,301	165,699	219,244	323,781
Interest income	5,847	20,900	13,312	43,937
Other	40,198	39,615	48,240	8,623
Total revenue	402,733	505,645	678,585	852,496
Interest expense	27,108	38,257	54,565	77,029
Net revenue	375,625	467,388	624,020	775,467
OPERATING EXPENSES				
Compensation and benefits	239,279	280,021	442,811	473,582
Occupancy and equipment	19,990	22,277	40,084	51,771
Marketing and business development	15,788	25,220	29,241	45,684
Technology and information services	16,156	17,089	32,078	33,330
Professional services	11,871	16,237	20,060	29,504
Fund administration and outsourced services	8,057	6,573	15,803	13,143
Restructuring			62,550	
Other	7,538	12,233	15,216	22,693
Total operating expenses	318,679	379,650	657,843	669,707
OPERATING INCOME (LOSS)	56,946	87,738	(33,823)	105,760
Provision for income taxes	13,519	18,110	9,344	22,950
NET INCOME (LOSS)	43,427	69,628	(43,167)	82,810
LESS - NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	15,240	35,311	(17,858)	40,694
NET INCOME (LOSS) ATTRIBUTABLE TO LAZARD LTD	\$ 28,187	\$ 34,317	\$ (25,309)	\$ 42,116
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:				
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	74,935,658	56,416,850	72,539,998	53,198,522
Diluted	127,984,819	126,711,796	72,539,998	113,713,062

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NET INCOME (LOSS) PER SHARE OF COMMON STOCK:

Basic	\$0.38	\$0.61	\$(0.36)	\$	0.80
Diluted	\$0.34	\$0.54	\$(0.36)	\$	0.70
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$0.10	\$0.10	\$0.20	\$	0.20

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, 2009 AND 2008****(UNAUDITED)****(dollars in thousands)**

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (43,167)	\$ 82,810
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash items included in net income (loss):		
Depreciation and amortization of property and intangible assets	11,802	13,933
Amortization of deferred expenses, stock units and interest rate hedge	158,971	119,330
Gain on extinguishment of debt	(258)	
(Increase) decrease in operating assets:		
Cash segregated for regulatory purposes or deposited with clearing organizations	6,508	8,982
Receivables-net	183,039	(158,102)
Investments	(6,303)	354,188
Other assets	15,936	(42,833)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(173,817)	165,468
Accrued compensation and benefits and other liabilities	(99,834)	(484,950)
Net cash provided by operating activities	52,877	58,826
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of joint venture interest and other equity method investments	(1,780)	(74,855)
Additions to property	(4,131)	(9,593)
Disposals of property	805	428
Purchases of available-for-sale securities	(3,320)	(60,125)
Proceeds from available-for-sale securities	33,226	2,838
Net cash provided by (used in) investing activities	24,800	(141,307)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Issuance of Class A common stock		437,500
Other financing activities	14,195	4,814
Payments for:		
Senior borrowings	(635)	(437,488)
Capital lease obligations	(1,665)	(1,621)
Distributions to noncontrolling interests	(41,339)	(41,640)
Repurchase of common membership interests from members of LAZ-MD Holdings	(1,810)	
Repurchase of Class A common stock	(49,829)	(162,835)
Class A common stock dividends	(13,439)	(9,863)
Settlement of vested RSUs and DSUs	(11,322)	(3,337)

Other financing activities

(13)