

Lazard Ltd
Form 10-Q
April 30, 2010
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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 March 31, 2010

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 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 April 26, 2010, there were 101,383,680 shares of the Registrant's Class A common stock (including 4,001,461 shares held by a subsidiary) 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 assets other than indirect ownership as of March 31, 2010 of approximately 80.0% 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****MARCH 31, 2010 AND DECEMBER 31, 2009****(UNAUDITED)****(dollars in thousands, except for per share data)**

	March 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$704,107	\$917,329
Cash deposited with clearing organizations and other segregated cash	18,973	20,217
Receivables-net:		
Fees	440,620	437,532
Banks	168,910	143,778
Customers and other	106,130	73,750
Related parties	11,690	14,415
	727,350	669,475
Investments:		
Debt:		
U.S. Government and agencies (includes \$126,457 and \$126,413 of securities at amortized cost at March 31, 2010 and December 31, 2009, respectively)	147,412	147,507
Other (includes \$9,586 and \$10,217 of securities at amortized cost at March 31, 2010 and December 31, 2009, respectively)	275,693	313,342
Equities	80,146	82,442
Other	219,628	264,402
	722,879	807,693
Property (net of accumulated amortization and depreciation of \$234,925 and \$239,603 at March 31, 2010 and December 31, 2009, respectively)	155,252	166,913
Goodwill and other intangible assets (net of accumulated amortization of \$8,910 and \$7,140 at March 31, 2010 and December 31, 2009, respectively)	316,297	317,780
Other assets	240,672	248,355
Total assets	\$ 2,885,530	\$ 3,147,762

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)****MARCH 31, 2010 AND DECEMBER 31, 2009****(UNAUDITED)****(dollars in thousands, except for per share data)**

	March 31, 2010	December 31, 2009
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 349,718	\$ 322,101
Accrued compensation and benefits	167,825	515,033
Senior debt	1,086,850	1,086,850
Capital lease obligations	22,572	24,628
Related party payables	2,996	17,450
Other liabilities	536,646	508,603
Subordinated debt	150,000	150,000
Total liabilities	2,316,607	2,624,665
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 26,883 shares issued and outstanding at March 31, 2010 and December 31, 2009	-	-
Series B - no shares issued and outstanding	-	-
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 101,383,680 and 92,165,912 shares issued at March 31, 2010 and December 31, 2009, respectively, including shares held by a subsidiary as indicated below)	1,014	922
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at March 31, 2010 and December 31, 2009)	-	-
Additional paid-in-capital	606,392	549,931
Retained earnings	6,160	52,726
Accumulated other comprehensive income (loss), net of tax	(75,173)	(57,048)
	538,393	546,531
Class A common stock held by a subsidiary, at cost (4,002,107 and 5,850,775 shares at March 31, 2010 and December 31, 2009, respectively)	(140,581)	(191,140)
Total Lazard Ltd stockholders equity	397,812	355,391
Noncontrolling interests	171,111	167,706
Total stockholders equity	568,923	523,097
Total liabilities and stockholders equity	\$ 2,885,530	\$ 3,147,762

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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 PERIODS ENDED MARCH 31, 2010 AND 2009****(UNAUDITED)****(dollars in thousands, except for per share data)**

	Three Months Ended March 31,	
	2010	2009
REVENUE		
Investment banking and other advisory fees	\$ 269,209	\$161,402
Money management fees	177,103	98,943
Interest income	5,107	7,465
Other	12,389	8,042
Total revenue	463,808	275,852
Interest expense	25,597	27,457
Net revenue	438,211	248,395
OPERATING EXPENSES		
Compensation and benefits	300,377	203,532
Occupancy and equipment	21,270	20,094
Marketing and business development	15,603	13,453
Technology and information services	17,652	15,922
Professional services	8,171	8,189
Fund administration and outsourced services	11,374	7,746
Amortization of intangible assets related to acquisitions	1,770	344
Restructuring	87,108	62,550
Other	9,367	7,334
Total operating expenses	472,692	339,164
OPERATING INCOME (LOSS)	(34,481)	(90,769)
Provision (benefit) for income taxes	6,413	(4,175)
NET INCOME (LOSS)	(40,894)	(86,594)
LESS - NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(7,360)	(33,098)
NET INCOME (LOSS) ATTRIBUTABLE TO LAZARD LTD	\$(33,534)	\$(53,496)
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:		
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	89,736,137	70,144,338
Diluted	89,736,137	70,144,338

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NET INCOME (LOSS) PER SHARE OF COMMON STOCK:

Basic	\$(0.38)	\$(0.77)
Diluted	\$(0.38)	\$(0.77)
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.125	\$ 0.10

See notes to condensed consolidated financial statements.

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	Three Months Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (40,894)	\$ (86,594)
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	5,221	5,691
Amortization of deferred expenses, stock units and interest rate hedge	153,865	91,577
Amortization of intangible assets related to business acquisitions	1,770	344
Gain on extinguishment of debt	-	(258)
(Increase) decrease in operating assets:		
Cash deposited with clearing organizations and other segregated cash	109	1,517
Receivables-net	(78,128)	286,997
Investments	(4,597)	35,470
Other assets	656	(1,604)
Increase (decrease) in operating liabilities:		
Deposits and other payables	33,759	(216,690)
Accrued compensation and benefits and other liabilities	(302,608)	(136,801)
Net cash used in operating activities	(230,847)	(20,351)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equity method investment	-	(1,780)
Disposition of equity method investment	50,319	-
Additions to property	(2,444)	(2,558)
Disposals of property	139	916
Purchases of available-for-sale securities	-	(3,249)
Proceeds from sales and maturities of available-for-sale securities	29,021	430
Net cash provided by (used in) investing activities	77,035	(6,241)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contribution from noncontrolling interests	2,000	265
Payments for:		
Senior borrowings	-	(635)
Capital lease obligations	(575)	(838)
Distributions to noncontrolling interests	(5,074)	(35,538)
Purchase of Class A common stock	(980)	(5,629)
Class A common stock dividends	(10,791)	