EATON VANCE CORP
Form 8-K
August 20, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 20, 2003

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

Maryland	1-8100	04-2718215
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

255 State Street, Boston, Massachusetts	02109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 482-8260

INFORMATION INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE
ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Registrant has reported its results of operations for the three months ended July 31, 2003, as described in Registrant's news release dated August 20, 2003, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

This information is being filed pursuant to Item 5. Other Events and Required FD Disclosure and is being provided under Item 12. Results of Operations and Financial Condition.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

Exhibit No.	Document
99.1	Press release issued by the Registrant dated August 20, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

EATON VANCE CORP.
(Registrant)

Date: August 20, 2003 /s/ William M. Steul

William M. Steul, Chief Financial Officer

EXHIBIT INDEX

Each exhibit is listed in this index according to the number assigned to it in the exhibit table set forth in Item 601 of Regulation S-K. The following exhibit is filed as part of this Report:

Exhibit No.	Description
99.1	Copy of Registrant's news release dated August 20, 2003.

EXHIBIT 99.1

NEWS RELEASE

Eaton Vance Corp.
The Eaton Vance Building
{LOGO} 255 State Street, Boston, MA 02109
(617) 482-8260
Contact: William M. Steul

August 20, 2003

FOR IMMEDIATE RELEASE

EATON VANCE CORP.
REPORT FOR THE THREE MONTHS AND NINE MONTHS ENDED
JULY 31, 2003

BOSTON, MA--Eaton Vance Corp. reported diluted earnings per share of $0.38 in the third quarter of fiscal 2003 compared to diluted earnings per share of $0.44 in the third quarter of fiscal 2002. For the first nine months of fiscal 2003, the Company earned $1.10 per diluted share compared to $1.35 per diluted share last year.

Assets under management of $64.3 billion at the end of the third quarter of fiscal 2003 were $9.6 billion or 17 percent greater than the $54.8 billion of assets under management at the end of the third quarter last year. During the 12-month period ended July 31, 2003, long-term fund and separate account net inflows contributed $8.4 billion and market appreciation contributed $2.4 billion to the increase in assets under management. The impact of market depreciation in the third and fourth quarters of last year was not fully recovered until the third quarter this year. Consequently, average assets under management were the same at $58.3 billion in the first three quarters of fiscal 2003 and in the first three quarters of last year.

Net inflows of long-term fund assets and separate account assets were $5.7 billion in the first nine months of fiscal 2003 and $2.2 billion in the first nine months of fiscal 2002. Long-term fund net inflows of $5.1 billion in the first nine months of 2003 benefited from the successful offering of nine closed-end municipal bond funds that added $0.7 billion of new assets in the first quarter and the record-setting $3.1 billion offering of the innovative new closed-end Eaton Vance Limited Duration Income Fund in the third quarter. Tables 1, 2 and 3 (attached) summarize assets under management and asset flows by investment objective. As can be seen in Table 3, all long-term fund asset classes and separate accounts had positive net flows in the third quarter and the first nine months of fiscal 2003.

Fiscal 2003 year-to-date revenue decreased by $19.5 million or 5 percent to $379.7 million as a result of flat average assets under management in the first nine months of fiscal 2003 compared to the first nine months of fiscal 2002 and changes in the mix of assets under management affecting distribution and service fee revenue. Investment adviser and administration fees declined $1.2 million or 1 percent to $212.7 million. Distribution and underwriter fees decreased $15.3 million or 12 percent, reflecting the continuing shift in managed assets from Class B mutual fund shares to other mutual fund share classes and assets with low or no distribution fees. Service fee revenue declined $5.3 million or 9 percent in the first nine months of fiscal 2003 because of the decline in mutual fund assets that pay service fees. Other income increased 180 percent to $3.7 million primarily because of reimbursement payments for certain fund shareholder services now performed by the Company, and investment income from a consolidated investment company in which Eaton Vance is the majority shareholder.

Operating expenses in the first three quarters of fiscal 2003 increased 3 percent to $261.8 million. Compensation expense increased 20 percent in the third quarter and 5 percent year-to-date primarily because of higher sales incentives associated with the increase in fund and separate account sales. Amortization of deferred sales commissions increased 2 percent primarily due to adjustments made to better align amortization expense with projected

distribution fee revenue. Service fee expense decreased 2 percent reflecting the decline in the fund assets under management for which these expenses apply. Other expenses increased 10 percent primarily because of non-recurring expenses related to the Company's successful offering of nine closed-end municipal bond funds, higher fund expenses, marketing, travel and promotion expenses, and higher audit and consulting fees. Operating income in the first three quarters of fiscal 2003 declined 19 percent to $117.9 million.

Net income in the first three quarters of fiscal 2003 declined 20 percent to $77.5 million. Interest income declined 40 percent because of lower short-term interest rates in the first nine months of fiscal 2003 compared to the same period last year. Interest expense increased 23 percent primarily due to an additional 2.5 percent per annum of cash interest paid by Eaton Vance Management on its exchangeable notes. Gains on the sale of investments increased 81 percent to $2.3 million. The Company's effective tax rate was 35 percent in both the first nine months of fiscal 2003 and the first nine months of fiscal 2002.

Cash and cash equivalents and short-term investments were $270.7 million on July 31, 2003 and $255.9 million on July 31, 2002. The Company's strong operating cash flow in the last 12 months allowed it to reduce its long-term debt by $92.3 million or 42 percent to $125.4 million, and pay $74.0 million in federal and state income taxes (including reducing the deferred tax liability by $23.7 million to $35.5 million), $71.6 million in sales commissions, $37.5 million to repurchase 1,312,900 shares of its non-voting common stock and $21.6 million in dividends to shareholders. There are no outstanding borrowings against the Company's $170.0 million credit facility.

Short-term investments on July 31, 2003 included the investment holdings of the $124.4 million Eaton Vance Institutional Short-term Income Fund. The Company had a $100.2 million investment in the fund. Because Eaton Vance is the majority investor it is required to consolidate the fund in its financial statements. Minority interest of $23.4 million on July 31, 2003 includes $22.1 million of minority interest in the Eaton Vance Institutional Short-term Income Fund.

During the first nine months of fiscal year 2003, the Company used $23.3 million of its cash to repurchase and retire 793,200 shares of its non-voting common stock. Approximately 1.5 million shares remain of the current 4.0 million-share repurchase authorization.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.

This news release contains statements that are not historical facts, referred to as "forward-looking statements." The Company's actual future results may differ significantly from those stated in any forward-looking statements, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and repurchases of fund shares, the continuation of investment advisory, administration, distribution and service contracts, and other risks discussed from time to time in the Company's filings with the Securities and Exchange Commission.

Eaton Vance Corp.
Summary of Results of Operations
(in thousands, except per share amounts)

Three Months Ended

	July 31, 2003	July 31, 2002	% Change	July 20
Revenue:				
Investment adviser and administration fees	$ 75,687	$ 70,518	7.3%	$ 212
Distribution and underwriter fees	37,605	40,168	(6.4)	108
Service fees	19,179	19,522	(1.8)	54
Other income	1,433	465	208.2	3
Total revenue	133,904	130,673	2.5	379
Expenses:				
Compensation of officers and employees	30,735	25,546	20.3	81
Amortization of deferred sales commissions	21,139	20,328	4.0	64
Service fee expense	17,518	16,722	4.8	48
Distribution fee expense	8,552	7,824	9.3	23
Other expenses	15,088	13,847	9.0	43
Total expenses	93,032	84,267	10.4	261
Operating Income	40,872	46,406	(11.9)	117
Other Income/(Expense):				
Interest income	1,252	3,447	(63.7)	4
Interest expense	(1,430)	(1,336)	7.0	(4
Gain (loss) on investments	353	(107)	(429.9)	2
Foreign currency gain	2	-	n/a	
Equity in net income (loss) of affiliates	160	207	(22.7)	
Income Before Minority Interest and Income Taxes	41,209	48,617	(15.2)	120
Minority Interest in Income	(398)	(648)	(38.6)	
Income Before Income Taxes	40,811	47,969	(14.9)	119
Income Taxes	14,284	16,788	(14.9)	41
Net Income	$ 26,527	$ 31,181	(14.9)	$ 77
Earnings Per Share:				
Basic	$ 0.39	$ 0.45	(13.3)	$
Diluted	$ 0.38	$ 0.44	(13.6)	$
Dividends Declared, Per Share	$ 0.1200	$ 0.0725	65.5	$ 0.
Weighted Average Shares Outstanding:				
Basic	68,876	69,161	(0.4)	69
Diluted	70,465	71,194	(1.0)	70

Eaton Vance Corp.
Balance Sheet
(in thousands, except per share figures)

	July 31, 2003	October 31, 2002	July 31,
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 130,726	$ 144,078	$ 160,84
Short-term investments	139,980	43,886	95,02
Investment adviser fees and other receivables	22,911	19,502	19,91
Other current assets	4,405	6,101	2,23
Total current assets	298,022	213,567	278,01
Other Assets:			
Deferred sales commissions	210,068	239,048	250,45
Goodwill	69,467	69,467	69,46
Other intangible assets, net	37,120	37,296	37,79
Long-term investments	32,353	39,982	38,75
Equipment and leasehold improvements, net	12,153	13,897	14,23
Other assets	3,105	3,362	5,59
Total other assets	364,266	403,052	416,29
Total assets	$ 662,288	$ 616,619	$ 694,30
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accrued compensation	$ 23,793	$ 31,899	$ 24,84
Accounts payable and accrued expenses	21,959	16,324	17,37
Dividend payable	8,257	5,522	5,01
Current portion of long-term debt	7,143	7,143	94,11
Other current liabilities	8,291	7,382	4,91
Total current liabilities	69,443	68,270	146,25
Long-term Liabilities:			
Long-term debt	118,291	124,118	123,63
Deferred income taxes	35,479	50,531	59,21
Total long-term liabilities	153,770	174,649	182,84
Total liabilities	223,213	242,919	329,10
Minority interest	23,426	1,398	1,48
Commitments and contingencies	-	-	
Shareholders' Equity:			
Common stock, par value $0.0078125 per share: Authorized, 640,000 shares Issued, 154,880 shares	1	1	
Non-voting common stock, par value $0.0078125 per share: Authorized, 95,360,000 shares Issued, 68,813,555, 69,102,459 and 69,220,824 shares, respectively	538	540	54
Notes receivable from stock option exercises	(3,059)	(3,530)	(3,25
Deferred compensation	(1,275)	(2,100)	(2,37
Accumulated other comprehensive income	814	2,585	2,96

Retained earnings	418,630	374,806	365,85
Total shareholders' equity	415,649	372,302	363,72
Total liabilities and shareholders' equity	$ 662,288	$ 616,619	$ 694,30

Table 1
Asset Flows (in millions)
Twelve Months Ended July 31, 2003

Assets 7/31/2002 - Beginning of Period	$ 54,765
Long-term Fund Sales/Inflows	13,745
Long-term Fund Redemptions/Outflows	(6,447)
Long-term Fund Net Exchanges	(141)
Long-term Fund Mkt. Appreciation	1,577
Institutional/HNW Account Inflows	1,913
Institutional/HNW Account Outflows	(1,335)
Retail Managed Account Inflows	760
Retail Managed Account Outflows	(238)
Separate Accounts Mkt. Value Change	791
Change in Money Market Funds	(1,068)
Net Change	9,557
Assets 7/31/2003 - End of Period	$ 64,322

Table 2
Assets Under Management
By Investment Objective (in millions)

	July 31, 2003	October 31, 2002	% Change	July 31, 2002	% Change
Equity Funds	$ 25,407	$ 22,910	11%	$ 23,684	7%
Fixed Income Funds	17,580	13,302	32%	10,573	66%
Bank Loan Funds	8,419	7,687	10%	8,415	0%
Money Market Funds	424	910	-53%	1,492	-72%
Separate Accounts	12,492	10,802	16%	10,601	18%
Total	$ 64,322	$ 55,611	16%	$ 54,765	17%

Table 3
Asset Flows by Investment Objective (in millions)

	Three Months Ended		Nine
	July 31, 2003	July 31, 2002	July 31, 2003

Equity Fund Assets - Beginning of Period	$ 23,372	$ 27,540	$ 22,910
Sales/Inflows	881	1,342	2,116
Redemptions/Outflows	(597)	(1,094)	(1,893)
Exchanges	32	(180)	(59)
Market Value Change	1,719	(3,924)	2,333
Net Change	2,035	(3,856)	2,497
Equity Assets - End of Period	$ 25,407	$ 23,684	$ 25,407
Fixed Income Fund Assets - Beginning of Period	15,573	10,397	13,302
Sales/Inflows	3,033	568	5,714
Redemptions/Outflows	(612)	(416)	(1,495)
Exchanges	(69)	108	60
Market Value Change	(345)	(84)	(1)
Net Change	2,007	176	4,278
Fixed Income Assets - End of Period	$ 17,580	$ 10,573	$ 17,580
Bank Loan Fund Assets - Beginning of Period	7,156	8,830	7,687
Sales/Inflows	1,485	236	1,846
Redemptions/Outflows	(339)	(531)	(1,217)
Exchanges	15	(42)	(78)
Market Value Change	102	(78)	181
Net Change	1,263	(415)	732
Bank Loan Assets - End of Period	$ 8,419	$ 8,415	$ 8,419
Long-Term Fund Assets - Beginning of Period	46,101	46,767	43,899
Sales/Inflows	5,399	2,146	9,676
Redemptions/Outflows	(1,548)	(2,041)	(4,605)
Exchanges	(22)	(114)	(77)
Market Value Change	1,476	(4,086)	2,513
Net Change	5,305	(4,095)	7,507
Total Long-Term Fund Assets - End of Period	$ 51,406	$ 42,672	$ 51,406
Separate Accounts - Beginning of Period	11,376	11,372	10,802
Institutional/ HNW Account Inflows	508	637	1,379
Institutional/ HNW Account Outflows	(220)	(348)	(1,169)
Retail Managed Account Inflows	196	246	591
Retail Managed Account Outflows	(112)	(40)	(195)
Separate Accounts Market Value Change	744	(1,266)	1,084
Net Change	1,116	(771)	1,690
Separate Accounts - End of Period	$ 12,492	$ 10,601	$ 12,492
Money Market Fund Assets - End of Period	424	1,492	424
Total Assets Under Management - End of Period	$ 64,322	$ 54,765	$ 64,322