

Edgar Filing: Invesco Ltd. - Form 8-K

Invesco Ltd.
Form 8-K
November 06, 2013

UNITED STATES
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): November 6, 2013

Invesco Ltd.
(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation)	001-13908 (Commission File Number)	98-0557567 (IRS Employer Identification No.)
--	---------------------------------------	--

1555 Peachtree Street, N.E., Atlanta, Georgia (Address of principal executive offices)	30309 (Zip Code)
---	---------------------

Registrant's telephone number, including area code: (404) 892-0896
n/a
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

This Current Report on Form 8-K is being filed by Invesco Ltd. (the “company”) to update certain portions of the company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 22, 2013 (the “2012 Form 10-K”), to reflect the following changes:

Effective September 30, 2013, the company changed the presentation of its consolidated balance sheets from a classified basis to a non-classified basis. Under the non-classified basis, balances are not separately presented as current or noncurrent. Management believes that this presentation is more meaningful to readers because it aggregates assets and liabilities of the same nature, which is consistent with the manner in which management monitors its financial position. The company’s previously classified balance sheets were not utilized to derive any ratios or metrics by which the company is measured. Additionally, the presentation of a non-classified balance sheet reduces the presentation complexities resulting from the classification of Consolidated Investment Products (CIP), which do not present classified balance sheet information in their underlying financial statements. Certain previously reported amounts in the consolidated balance sheet and notes have been reclassified to conform to the new presentation. Effective June 30, 2013, the company adopted discontinued operations accounting for Atlantic Trust Private Wealth Management (Atlantic Trust). Accordingly, the results of Atlantic Trust have been presented as a discontinued operation in the income statement for all periods presented. As a result of this change, certain previously reported amounts in the consolidated financial statements and notes have been reclassified to conform to the current period presentation.

The following Items of the 2012 Form 10-K are being updated retrospectively to reflect the adoption of the accounting presentation changes described above (which Items as updated are included in Exhibit 99.1 hereto and are incorporated by reference herein):

Item 6 — Selected Financial Data

Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 8 — Financial Statements and Supplementary Data

No Items of the 2012 Form 10-K other than those identified above are being updated by this filing. Information in the 2012 Form 10-K is generally stated as of December 31, 2012, and this filing does not reflect any subsequent events other than the adoption of the accounting presentation changes described above. Without limitation of the foregoing, this filing does not purport to update Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the 2012 Form 10-K for any information, uncertainties, transactions, risks, events or trends occurring, or known to management. More current information is contained in the company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (the “Form 10-Q”), and its other filings with the Securities and Exchange Commission. This Current Report on Form 8-K should be read in conjunction with the 2012 Form 10-K, the Form 10-Q and the company’s other filings. The Form 10-Q and other filings contain important information regarding events, developments and updates to certain expectations of the company that have occurred subsequent to the filing of the 2012 Form 10-K.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP
99.1	Updated financial information as of December 31, 2012 and 2011 and for each of the three years ended December 31, 2012

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.

Invesco Ltd.

By: /s/ Loren Starr
 Loren Starr
 Senior Managing Director and
 Chief Financial Officer

Date: November 6, 2013

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-162864) pertaining to the No.3 Executive Share Option Scheme, 2000 Share Option Plan, International Sharesave Plan, 1997 Sharesave Scheme, Irish Sharesave Plan, 2003 Share Option Plan (Canada), Perpetual Unapproved Share Option Scheme, and Trimark Executive Stock Option Plan of Invesco Ltd.,
- (2) Registration Statement (Form S-8 No. 333-103609) pertaining to the Global Stock Plan, No.3 Executive Share Option Scheme, and International Sharesave Plan of Invesco Ltd.,
- (3) Registration Statement (Form S-8 No. 333-98037) pertaining to the AMVESCAP Sharesave Plan of Invesco Ltd.,
- (4) Registration Statement (Form S-8 No. 333-10602) pertaining to the AMVESCAP Global Stock Plan, the Executive Share Option Scheme, the AIM Option Plans and the AMVESCAP Sharesave Plan of Invesco Ltd.,
- (5) Registration Statement (Form S-8 No. 333-8962) pertaining to the AMVESCAP Global Stock Plan, Executive Share Option Scheme and the AIM Option Plans of Invesco Ltd.,
- (6) Registration Statement (Form S-8 No. 333-150970) pertaining to the Invesco Ltd. 2008 Global Equity Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-166919) pertaining to the Invesco Ltd. 2010 Global Equity Incentive Plan (ST),
- (8) Registration Statement (Form S-8 No. 333-174584) pertaining to the Invesco Ltd. 2011 Global Equity Incentive Plan,
- (9) Registration Statement (Form S-8 No. 333-181536) pertaining to the Invesco Ltd. 2012 Employee Stock Purchase Plan, and
- (10) Registration Statement (Form S-3 No. 333-184744) of Invesco Ltd.;

of our report dated February 22, 2013, (except for Notes 23 and 24 as to which the date is November 6, 2013) with respect to the consolidated financial statements of Invesco Ltd., and our report dated February 22, 2013, with respect to the effectiveness of internal control over financial reporting of Invesco Ltd., included in this Form 8-K, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

November 6, 2013
Atlanta, Georgia

EXHIBIT 99.1

Item 6. Selected Financial Data

The following tables present selected consolidated financial information for the company as of and for each of the five fiscal years in the period ended December 31, 2012. Except as otherwise noted below, the consolidated financial information has been prepared in accordance with U.S. generally accepted accounting principles.

As of and For The Years Ended December 31,

\$ in millions, except per share and other data	2012	2011	2010	2009	2008	
Operating Data⁽⁴⁾:						
Operating revenues	4,050.4	3,982.3	3,385.9	2,544.8	3,217.1	
Net revenues ⁽¹⁾	2,836.0	2,791.6	2,422.1	1,860.7	2,349.8	
Operating income	842.6	882.1	579.4	485.6	742.3	
Adjusted operating income ⁽²⁾	1,012.1	1,046.2	878.7	558.4	812.1	
Operating margin	20.8	% 22.2	% 17.1	% 19.1	% 23.1	%
Adjusted operating margin ⁽²⁾	35.7	% 37.5	% 36.3	% 30.0	% 34.6	%
Net income attributable to common shareholders	677.1	729.7	465.7	322.5	481.7	
Adjusted net income ⁽³⁾	748.6	759.1	618.7	364.3	509.1	
Per Share Data:						
Earnings per share:						
-basic	1.50	1.58	1.01	0.77	1.24	
-diluted	1.49	1.57	1.01	0.76	1.21	
Adjusted diluted EPS ⁽³⁾⁽⁴⁾	1.65	1.63	1.34	0.86	1.28	
Dividends declared per share	0.6400	0.4775	0.4325	0.4075	0.5200	
Balance Sheet Data:						
Total assets	17,492.4	19,347.0	20,444.1	10,909.6	9,756.9	
Long-term debt	1,186.0	1,284.7	1,315.7	745.7	1,159.2	
Debt of consolidated investment products	3,899.4	5,512.9	5,865.4	—	—	
Total equity attributable to common shareholders	8,316.8	8,119.1	8,264.6	6,912.9	5,689.5	
Total equity	9,049.0	9,137.6	9,360.9	7,620.8	6,596.2	
Other Data⁽⁴⁾:						
Ending AUM (in billions)	667.4	607.3	599.6	444.3	363.7	
Average AUM (in billions)	645.3	617.8	516.9	401.6	453.4	
Headcount	5,889	5,917	4,658	4,650	5,057	

Net revenues are operating revenues less third-party distribution, service and advisory expenses (distribution expense related to the European infrastructure initiative), plus our proportional share of the net revenues of our joint venture investments, plus management and performance fees earned from, less other revenue recorded by, consolidated investment products. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information," for the reconciliation of operating revenues to net revenues.

(2) Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the operating income of our joint venture investments,

transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, and other reconciling items. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of operating income to adjusted operating income.

(3) Adjusted net income is net income attributable to common shareholders adjusted to add back transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, third-party distribution expense related to the European infrastructure initiative, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net income excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans, discontinued operations and other reconciling items. Adjusted net income also includes the company’s proportional share of net revenues and operating income from joint venture investments. By calculation, adjusted diluted EPS is adjusted net income divided by the weighted average number of shares outstanding (for diluted EPS). See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of net income to adjusted net income.

(4) The company has adopted a discontinued operations presentation for the Atlantic Trust business as of June 30, 2013. Amounts presented represent continuing operations and exclude Atlantic Trust, with the exception of net income attributable to common shareholders, basic earnings per share, and diluted earnings per share. Prior period amounts have been reclassified to conform with this presentation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

The following executive overview summarizes the significant trends affecting our results of operations and financial condition for the periods presented. This overview and the remainder of this management's discussion and analysis supplements, and should be read in conjunction with, the Consolidated Financial Statements of Invesco Ltd. and its subsidiaries (collectively, the "company" or "Invesco") and the notes thereto contained elsewhere in this Annual Report on Form 10-K.

During 2012 global equity markets produced strong positive returns as evidenced by the returns of the S&P 500 index, which was up over 13%, the Nikkei 225 index, which increased almost 23% in the year and the MSCI Emerging Market index which gained over 15% in 2012. The markets recovered from the significant volatility and negative sentiment experienced during 2011 as fears over the solvency of peripheral European sovereigns and the fiscal situation in the U.S. subsided.

The table below summarizes the year ended December 31 returns based on price appreciation of several major market indices for 2012, 2011, and 2010:

Index	Year ended December 31,		
	2012	2011	2010
S&P 500	13.4%	0.0%	12.8%
FTSE 100	5.8%	(5.6)%	9.0%
Nikkei 225	22.9%	(17.3)%	(3.0)%
MSCI Emerging Markets	15.2%	(20.4)%	16.4%

Throughout 2012, Invesco continued to deliver strong, long-term investment performance, maintained its focus on its clients, and enhanced its profile in the industry.

As a global investment management firm dedicated to delivering investment excellence to our clients, Invesco is committed to further strengthening and enhancing our best-in-class risk management approach. A key factor in Invesco's ability to weather the economic storms of the past three years was our integrated approach to risk management.

Invesco's enterprise risk management (ERM) approach is embedded in its management processes across the organization. Broadly, our approach includes two governance structures - one for investments and another for business risk.

Investment risk oversight is supported by the Global Performance Measurement and Risk group and the investment teams.

Business risk oversight is supported by the Corporate Risk Management Committee and related committees.

Our Global Performance Measurement and Risk group provides senior management and the Board with insight into core investment risks, while our Corporate Risk Management Committee facilitates a focus on strategic, operational and other key business risks. Further, business component, functional, and geographic risk management committees maintain an ongoing risk assessment process that provides a bottom-up perspective on the specific risk areas existing in various domains of our business. A key value of a robust enterprise risk management process is facilitating the flow of information and insight across the organization and applying that information to more effectively managing risk. Through this regular and consistent risk communication, the Board has reasonable assurance that all material risks of

the company are being addressed and that the company is propagating a risk-aware culture in which effective risk management is sewn into the fabric of the business. As a result of our efforts in this area, S&P has designated our enterprise risk management rating as "strong."

In addition, we benefited from our long-term efforts to ensure a diversified base of assets under management. One of Invesco's core strengths, and a key differentiator for the company within the industry, is our broad diversification across client domiciles, asset classes and distribution channels. Our geographical diversification recognizes growth opportunities in different parts of the world. This broad diversification enables Invesco to withstand different market cycles and take advantage of growth opportunities in various markets and channels.

The company announced on April 11, 2013 that it had entered into a definitive agreement to sell Atlantic Trust Private Wealth Management (Atlantic Trust) to Canadian Imperial Bank of Commerce (CIBC). The results of Atlantic Trust are reflected as discontinued operations in the income statement and are therefore excluded from the continuing operations of Invesco. Comparative

periods shown in the income statement have been adjusted to conform with this presentation. Similarly, total AUM excludes the AUM of Atlantic Trust with comparative periods adjusted to a consistent basis.

Presentation of Management's Discussion and Analysis of Financial Condition and Results of Operations

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part II, Item 8, Financial Statements and Supplementary Data - Note 1, "Accounting Policies" and Note 20, "Consolidated Investment Products," for additional details.

The majority of the company's consolidated investment product balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management and performance fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Additionally, the investors in the CLOs have no recourse to the general credit of the company for the notes issued by the CLOs. The company therefore does not consider this debt to be a company liability.

The impact of consolidation of investment products is so significant to the presentation of the company's financial statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company's non-GAAP presentation. There are four distinct sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

• Results of Operations (years ended December 31, 2012 compared to December 31, 2011 compared to December 31, 2010);

• Schedule of Non-GAAP Information;

• Balance Sheet Discussion; and

• Liquidity and Capital Resources.

Each of the financial statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of the consolidation of investment products relative to the company's consolidated totals. The impact is illustrated by a column which shows the dollar-value change in the consolidated figures, as caused by the consolidation of investment products. For example, the impact of consolidated investment products on operating revenues for the year ended December 31, 2012 was a reduction of \$41.0 million. This indicates that the consolidation of investment products reduced consolidated revenues by this amount, reflecting the elimination upon their consolidation of the operating revenues earned by Invesco for managing these investment products.

The narrative that follows each of these sections separately provides discussion of the underlying financial statement activity for the company, before consolidation of investment products, as well as of the financial statement activity of consolidated investment products. Additionally, wherever a non-GAAP measure is referenced, a disclosure will follow in the narrative or in the note referring the reader to the Schedule of Non-GAAP Information, where additional

details regarding the use of the non-GAAP measure by the company are disclosed, along with reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures. To further enhance the readability of the Results of Operations section, separate tables for each of the revenue, expense, and non-operating income/expense sections of the income statement introduce the narrative that follows, providing a section-by-section review of the company's income statements for the periods presented.

Summary Operating Information

Summary operating information for 2012, 2011 and 2010 is presented in the table below.

U.S. GAAP Financial Measures Summary	Year ended December 31,					
	2012		2011		2010	
Operating revenues ⁽⁵⁾	\$4,050.4		\$3,982.3		\$3,385.9	
Operating income ⁽⁵⁾	\$842.6		\$882.1		\$579.4	
Operating margin ⁽⁵⁾	20.8	%	22.2	%	17.1	%
Net income attributable to common shareholders	\$677.1		\$729.7		\$465.7	
Diluted EPS	\$1.49		\$1.57		\$1.01	
Debt/equity ratio including consolidated investment products (%)	56.2	%	74.4	%	76.7	%
Non-GAAP Financial Measures Summary						
Net revenues ⁽¹⁾	\$2,836.0		\$2,791.6		\$2,422.1	
Adjusted operating income ⁽²⁾	\$1,012.1		\$1,046.2		\$878.7	
Adjusted operating margin ⁽²⁾	35.7	%	37.5	%	36.3	%
Adjusted net income attributable to common shareholders ⁽³⁾	\$748.6		\$759.1		\$618.7	
Adjusted diluted EPS ⁽³⁾	\$1.65		\$1.63		\$1.34	
Debt/equity ratio excluding consolidated investment products(%)(⁴)	14.5	%	16.5	%	16.9	%
Assets Under Management						
Ending AUM (billions) ⁽⁵⁾	\$667.4		\$607.3		\$599.6	
Average AUM (billions) ⁽⁵⁾	\$645.3		\$617.8		\$516.9	

Net revenues is a non-GAAP financial measure. See Item 6. "Selected Financial Data," footnote 1, for the (1) definition of this measure. See "Schedule of Non-GAAP Information" for the reconciliation of operating revenues to net revenues.

Adjusted operating income and adjusted operating margin are non-GAAP financial measures. See Item 6. "Selected (2) Financial Data," footnote 2, for the definition of these measures. See "Schedule of Non-GAAP Information" for the reconciliation of operating income to adjusted operating income.

Adjusted net income attributable to common shareholders and adjusted diluted EPS are non-GAAP financial (3) measures. See Item 6. "Selected Financial Data," footnote 3, for the definition of these measures. See "Schedule of Non-GAAP Information" for the reconciliation of net income to adjusted net income.

(4) The debt-to-equity ratio excluding consolidated investment products is a non-GAAP financial measure. See the "Liquidity and Capital Resources" section for a recalculation of this ratio and other important disclosures.

The company has adopted a discontinued operations presentation for the Atlantic Trust business. Amounts (5) presented represent continuing operations and exclude Atlantic Trust. Prior period amounts have been reclassified to conform with this presentation.

Investment Capabilities Performance Overview

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. Long-term performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, is generally strong with some pockets of outstanding performance. Within our equity asset class, U.K. and Global Ex U.S. and Emerging Markets have had strong relative performance, with 87% or more of assets beating their peer group and benchmark over three- and five-year periods. U.S. Value funds reflect strong performance with 99% and 94%, respectively, of assets beating benchmarks and peers on a five-year basis. Within our fixed income asset class, Stable Value products have achieved excellent long-term performance with 100% of AUM ahead of benchmarks and peers on a one-, three-, and five-year basis.

		Benchmark Comparison			Peer Group Comparison			
		% of AUM Ahead of Benchmark			% of AUM In Top Half of Peer Group			
		1yr	3yr	5yr	1yr	3yr	5yr	
Equities	U.S. Core	17	%22	%81	%17	%26	%56	%
	U.S. Growth	36	%28	%22	%28	%23	%60	%
	U.S. Value	53	%55	%99	%74	%73	%94	%
	Sector	63	%65	%58	%43	%29	%39	%
	U.K.	11	%99	%98	%9	%98	%94	%
	Canadian	100	%56	%81	%100	%52	%56	%
	Asian	49	%45	%46	%37	%44	%45	%
	Continental European	70	%70	%94	%24	%58	%58	%
	Global	59	%80	%88	%63	%73	%59	%
	Global Ex U.S. and Emerging Markets	25	%88	%99	%15	%87	%99	%
Other	Alternatives	53	%62	%66	%73	%54	%15	%
	Balanced	59	%56	%97	%96	%83	%95	%
Fixed Income	Money Market	60						