

BlackRock Inc.
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to .

Commission File No. 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware 32-0174431
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)
55 East 52nd Street, New York, NY 10055

(Address of Principal Executive Offices)

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(212) 810-5300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 par value	New York Stock Exchange
1.250% Notes due 2025	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 ☒

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The aggregate market value of the voting common stock and nonvoting common stock equivalents held by nonaffiliates of the registrant as of June 30, 2015 was approximately \$56.3 billion.

As of January 31, 2016, there were 163,941,835 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference herein:

Portions of the definitive Proxy Statement of BlackRock, Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2016 annual meeting of stockholders to be held on May 25, 2016 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

BlackRock, Inc.

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Part I

Item 1. Business

Overview

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm with \$4.645 trillion of assets under management (“AUM”) at December 31, 2015. With employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

Our diverse platform of active (alpha) and index (beta) investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Our product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange-traded funds (“ETFs”), separate accounts, collective investment funds and other pooled investment vehicles. We also offer our BlackRock Solutions® (“BRS”) investment and risk management technology platform, Aladdin®, risk analytics and advisory services and solutions to a broad base of institutional investors. The Company is highly regulated and serves its clients as a fiduciary. We do not engage in proprietary trading activities that could conflict with the interests of our clients.

BlackRock serves a diverse mix of institutional and retail clients across the globe. Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supranationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors.

BlackRock maintains a significant global sales and marketing presence that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to investors directly and through financial professionals and pension consultants, and establishing third-party distribution relationships.

BlackRock is an independent, publicly traded company, with no single majority shareholder and over two-thirds of its Board of Directors consisting of independent directors. At December 31, 2015, The PNC Financial Services Group, Inc. (“PNC”) held 21.1% of BlackRock’s voting common stock and 22.2% of BlackRock’s capital stock, which includes outstanding common stock and nonvoting preferred stock.

Management seeks to achieve attractive returns for stockholders over time by, among other things, capitalizing on the following factors:

- the Company’s focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the Company’s global reach and commitment to best practices around the world, with approximately 48% of employees outside the United States supporting local investment capabilities and serving clients, and approximately 42% of total AUM managed for clients domiciled outside the United States;
- the Company’s diversified active and index product offerings, which enhance its ability to offer a variety of traditional and alternative investment products across the risk spectrum and to tailor single- and multi-asset investment solutions to address specific client needs;
- the Company’s differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to passive investing and ETFs, a focus on income and retirement, and barbellizing of risk using index and active products, including alternatives; and

the Company's longstanding commitment to risk management and the continued development of, and increased interest in, BRS products and services.

BlackRock operates in a global marketplace characterized by a high degree of market volatility and economic uncertainty, factors that can significantly affect earnings and stockholder returns in any given period.

The Company's ability to increase revenue, earnings and stockholder value over time is predicated on its ability to generate new business, including business in BRS products and services. New business efforts depend on BlackRock's ability to achieve clients' investment objectives in a manner consistent with their risk preferences and to deliver excellent client service. All of these efforts require the commitment and contributions of BlackRock employees. Accordingly, the ability to attract, develop and retain talented professionals is critical to the Company's long-term success.

Financial Highlights

						5-Year	
(in millions, except per share data)	2015	2014	2013	2012	2011	CAGR ⁽⁴⁾	
Total revenue	\$11,401	\$11,081	\$10,180	\$9,337	\$9,081	6	%
Operating income	\$4,664	\$4,474	\$3,857	\$3,524	\$3,249	9	%
Operating margin	40.9 %	40.4 %	37.9 %	37.7 %	35.8 %	3	%
Nonoperating income (expense) ⁽¹⁾	\$(69)	\$(49)	\$97	\$(36)	\$(116)	N/A	
Net income attributable to BlackRock, Inc.	\$3,345	\$3,294	\$2,932	\$2,458	\$2,337	10	%
Diluted earnings per common share	\$19.79	\$19.25	\$16.87	\$13.79	\$12.37	13	%

						5-Year	
(in millions, except per share data)	2015	2014	2013	2012	2011	CAGR ⁽⁴⁾	
As adjusted ⁽²⁾ :							
Operating income	\$4,695	\$4,563	\$4,024	\$3,574	\$3,392	8	%
Operating margin ⁽²⁾	42.9 %	42.9 %	41.4 %	40.4 %	39.7 %	2	%
Nonoperating income (expense) ⁽¹⁾	\$(70)	\$(56)	\$7	\$(42)	\$(113)	N/A	
Net income attributable to BlackRock, Inc. ⁽³⁾	\$3,313	\$3,310	\$2,882	\$2,438	\$2,239	9	%
Diluted earnings per common share ⁽³⁾	\$19.60	\$19.34	\$16.58	\$13.68	\$11.85	12	%

N/A— not applicable

(1) Net of net income (loss) attributable to noncontrolling interests (“NCI”) (redeemable and nonredeemable).

(2) BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”); however, management believes evaluating the Company’s ongoing operating results may be enhanced if investors have additional non-GAAP financial measures.

See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures, for further information on non-GAAP financial measures and for as adjusted items for 2015, 2014, and 2013. In 2012, operating income, as adjusted, included an adjustment related to estimated lease exit costs initially recorded in 2011 and the contribution to certain of the Company’s bank-managed short-term investment funds (“STIFs”). In 2011, operating income, as adjusted, included U.K. lease exit costs which represent costs to exit two locations in London and restructuring charges. In 2012 and 2011, the portion of compensation expense associated with certain long-term incentive plans (“LTIP”) funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately did not impact BlackRock’s book value. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in nonoperating income (expense).

(3) Net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted exclude the after-tax impact of the items listed above and also include the effect on deferred income tax expense resulting from certain income tax matters.

(4) Percentage represents compounded annual growth rate (“CAGR”) over a five-year period (2010-2015).

Assets Under Management

The Company's AUM by product type for the years 2011 through 2015 is presented below.

	December 31,					5-Year	
(in millions)	2015	2014	2013	2012	2011	CAGR ⁽¹⁾	
Equity	\$2,423,772	\$2,451,111	\$2,317,695	\$1,845,501	\$1,560,106	7	%
Fixed income	1,422,368	1,393,653	1,242,186	1,259,322	1,247,722	5	%
Multi-asset	376,336	377,837	341,214	267,748	225,170	15	%
Alternatives	112,839	111,240	111,114	109,795	104,948	1	%
Long-term	4,335,315	4,333,841	4,012,209	3,482,366	3,137,946	7	%
Cash management	299,884	296,353	275,554	263,743	254,665	1	%
Advisory	10,213	21,701	36,325	45,479	120,070	(42)	(%)
Total	\$4,645,412	\$4,651,895	\$4,324,088	\$3,791,588	\$3,512,681	5	%

(1) Percentage represents CAGR over a five-year period (2010-2015).

Component changes in AUM by product type for the five years ended December 31, 2015 are presented below.

	December 31,	Net Inflows	Adjustment/	Market	FX	December 31,	5-Year
(in millions)	2010	(Outflows)	Acquisitions ⁽¹⁾	Change	Impact	2015	CAGR ⁽²⁾
Equity	\$ 1,694,467	\$ 252,591	\$ (16,112)	\$ 605,577	\$ (112,751)	\$ 2,423,772	7 %
Fixed income	1,141,324	122,375	2,968	230,218	(74,517)	1,422,368	5 %
Multi-asset	185,587	146,838	6,442	62,110	(24,641)	376,336	15 %
Alternatives	109,738	(6,541)	21,345	(6,310)	(5,393)	112,839	1 %
Long-term	3,131,116	515,263	14,643	891,595	(217,302)	4,335,315	7 %
Cash management	279,175	25,411	—	3,487	(8,189)	299,884	1 %
Advisory	150,677	(134,686)	—	1,676	(7,454)	10,213	(42 %)
Total	\$ 3,560,968	\$ 405,988	\$ 14,643	\$ 896,758	\$ (232,945)		