

Towers Watson & Co.
Form 10-Q
May 05, 2015

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, 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 Number: 001-34594

TOWERS WATSON & CO.

(Exact name of registrant as specified in its charter)

Delaware	27-0676603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
901 N. Glebe Road Arlington, VA	22203
(Address of principal executive offices)	(zip code)
(703) 258-8000	
(Registrant's telephone number, including area code)	

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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of April 30, 2015, there were 69,321,501 outstanding shares of Class A Common Stock at a par value of \$0.01 per share.

TOWERS WATSON & CO.
 INDEX TO FORM 10-Q
 For the Three and Nine Months Ended March 31, 2015

	Page
<u>PART I. FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations — Three and Nine Months Ended March 31, 2015 and 2014</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Income — Three and Nine Months Ended March 31, 2015 and 2014</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets — March 31, 2015 and June 30, 2014</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows — Nine Months Ended March 31, 2015 and 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity — Nine Months Ended March 31, 2014 and 2015</u>	<u>5</u>
<u>Notes to the Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>42</u>
<u>Item 4. Controls and Procedures</u>	<u>43</u>
<u>PART II. OTHER INFORMATION</u>	<u>44</u>
<u>Item 1. Legal Proceedings</u>	<u>44</u>
<u>Item 1A. Risk Factors</u>	<u>44</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>44</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>44</u>
<u>Item 5. Other Information</u>	<u>44</u>
<u>Item 6. Exhibits</u>	<u>45</u>
<u>Signatures</u>	<u>46</u>
Certifications	

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

TOWERS WATSON & CO.

Condensed Consolidated Statements of Operations

(In thousands of U.S. dollars, except per share data)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenue	\$920,714	\$904,833	\$2,756,743	\$2,602,927
Costs of providing services:				
Salaries and employee benefits	544,176	547,385	1,634,023	1,574,535
Professional and subcontracted services	65,838	57,729	199,673	188,203
Occupancy	32,416	33,961	105,245	102,288
General and administrative expenses	72,622	82,844	230,156	236,651
Depreciation and amortization	41,185	44,250	130,161	130,931
Transaction and integration expenses	—	241	—	1,049
	756,237	766,410	2,299,258	2,233,657
Income from operations	164,477	138,423	457,485	369,270
Loss from affiliates	(17) —	(17) —
Interest income	938	758	2,895	1,847
Interest expense	(2,479) (2,090) (6,993) (6,553
Other non-operating income	466	4,053	1,331	9,743
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	163,385	141,144	454,701	374,307
Provision for income taxes	59,025	39,231	158,459	96,322
INCOME FROM CONTINUING OPERATIONS	104,360	101,913	296,242	277,985
Income from discontinued operations, net of tax of \$0, \$175, \$0, and \$41,012	—	3,939	—	5,980
NET INCOME BEFORE NON-CONTROLLING INTERESTS	104,360	105,852	296,242	283,965
Less: Income attributable to non-controlling interests	218	3,346	366	7,057
NET INCOME (attributable to common stockholders)	\$104,142	\$102,506	\$295,876	\$276,908
Basic earnings per share (attributable to common stockholders):				
Income from continuing operations	\$1.50	\$1.40	\$4.23	\$3.83
Income from discontinued operations	—	0.06	—	0.09
Net income	\$1.50	\$1.46	\$4.23	\$3.92
Diluted earnings per share (attributable to common stockholders):				
Income from continuing operations	\$1.49	\$1.39	\$4.22	\$3.81
Income from discontinued operations	—	0.06	—	0.09
Net income	\$1.49	\$1.45	\$4.22	\$3.90
Dividends declared per share	\$0.15	\$0.14	\$0.45	\$0.28
Weighted average shares of common stock, basic (000)	69,602			