

EDWARDS A G INC
Form 10-Q
October 10, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **August 31, 2006**

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 1-8527

A.G. EDWARDS, INC.

State of Incorporation: **DELAWARE**
One North Jefferson Avenue

I.R.S. Employer Identification No: **43-1288229**

St. Louis, Missouri 63103

Registrant's telephone number, including area code **(314) 955-3000**

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.

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Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act: Check one:.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At September 30, 2006, there were 76,020,389 shares of A.G. Edwards, Inc. common stock, par value \$1, issued and outstanding.

A.G. EDWARDS, INC.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

A.G. EDWARDS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

(Unaudited)

	August 31, 2006	February 28, 2006 (As Adjusted, See Note 2)
Assets		
Cash and cash equivalents	\$ 320,266	\$ 178,173
Cash and government securities deposited with clearing organizations or segregated under federal and other regulations	252,768	272,881
Securities purchased under agreements to resell	351,568	195,000
Securities borrowed	289,367	205,774
Receivables:		
Customers, less allowance for doubtful accounts of \$2,893 and \$2,600	1,800,229	2,084,278
Brokers and dealers	129,615	187,092
Clearing organizations	3,266	809
Fees, dividends and interest	155,003	118,465
Securities inventory, at fair value:		
State and municipal	335,265	284,539
Government and agencies	36,117	71,188
Corporate debt	30,175	35,638
Equities	12,914	22,788
Investments	385,614	367,822
Property and equipment, at cost, net of accumulated depreciation and amortization of \$692,899 and \$723,054	464,700	485,287
Deferred income taxes	94,618	107,114
Other assets	47,476	54,795
	\$ 4,708,961	\$ 4,671,643
Liabilities and Stockholders' Equity		
Checks payable	\$ 248,636	\$ 313,448
Securities loaned	299,330	200,988
Payables:		
Customers	1,124,637	1,102,040
Brokers and dealers	85,454	118,403
Clearing organizations	28,476	37,561
Securities sold but not yet purchased, at fair value:		
State and municipal	3,009	5,055
Government and agencies	59,490	21,041
Corporate debt	10,078	18,174
Equities	590	1,372
Employee compensation and related taxes	354,301	495,828
Deferred compensation	228,223	228,548
Income taxes	46,697	22,453
Other liabilities	210,341	219,720
Total Liabilities	2,699,262	2,784,631
Stockholders' Equity:		
Preferred stock, \$25 par value:		
Authorized, 4,000,000 shares; none issued		
Common stock, \$1 par value:		
Authorized, 550,000,000 shares; issued, 96,463,114 shares	96,463	96,463
Additional paid-in capital	293,718	293,362

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Retained earnings	2,401,896	2,293,910
	2,792,077	2,683,735
Less: Treasury stock, at cost (20,348,299 and 20,872,779 shares)	782,378	796,723
Total Stockholders' Equity	2,009,699	1,887,012
	\$ 4,708,961	\$ 4,671,643

See Notes to Condensed Consolidated Financial Statements.

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A.G. EDWARDS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars and shares in thousands, except per share amounts)

(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2006	(As Adjusted, See Note 2) 2005	2006	(As Adjusted, See Note 2) 2005
Revenues				
Asset management and service fees	\$ 305,084	\$ 257,874	\$ 612,163	\$ 508,169
Commissions	237,702	249,840	514,028	496,966
Principal transactions	55,156	52,319	108,304	103,829
Investment banking	56,712	67,821	104,799	126,582
Interest	59,050	42,184	112,691	82,928
Other	4,206	4,759	34,399	11,475
Total Revenues	717,910	674,797	1,486,384	1,329,949
Interest expense	4,682	2,261	8,463	4,474
Net Revenues	713,228	672,536	1,477,921	1,325,475
Non-Interest Expenses				
Compensation and benefits	451,366	441,280	932,294	865,276
Communication and technology	63,347	60,493	123,236	115,850
Occupancy and equipment	37,845	37,281	73,861	71,386
Marketing and business development	17,870	18,072	43,419	39,096
Floor brokerage and clearance	5,548	4,673	9,100	9,929
Other	32,890	36,410	69,227	73,734
Total Non-Interest Expenses	608,866	598,209	1,251,137	1,175,271
Earnings before income taxes	104,362	74,327	226,784	150,204
Income Taxes	38,136	27,122	82,935	53,988
Earnings before cumulative effect of accounting change	\$ 66,226	\$ 47,205	\$ 143,849	\$ 96,216
Cumulative effect of accounting change, net of \$1,655 of income taxes	-	-	-	2,768
Net Earnings	\$ 66,226	\$ 47,205	\$ 143,849	\$ 98,984
Earnings per diluted share:				
Earnings before cumulative effect of accounting change	\$ 0.86	\$ 0.61	\$ 1.88	\$ 1.24
Cumulative effect of accounting change, net of income taxes	-	-	-	0.04
Earnings per diluted share	\$ 0.86	\$ 0.61	\$ 1.88	\$ 1.28