

EDWARDS A G INC  
Form 10-Q  
October 11, 2005

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended **August 31, 2005**

OR

**o 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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, 2005, there were 76,699,193 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 share amounts)

(Unaudited)

	August 31, 2005	February 28, 2005
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<b>ASSETS</b>		
Cash and cash equivalents	\$ 129,559	\$ 209,039
Cash and government securities, segregated under federal and other regulations	344,581	392,241
Securities purchased under agreements to resell	82,799	235,540
Securities borrowed	107,961	117,302
Receivables:		
Customers, less allowance for doubtful accounts of \$7,096 and \$8,045	2,096,267	2,236,170
Brokers, dealers and clearing organizations	42,519	38,901
Fees, dividends and interest	130,395	104,605
Securities inventory, at fair value:		
State and municipal	284,507	190,150
Government and agencies	48,534	152,532
Corporate	48,886	57,521
Investments	358,414	337,394
Property and equipment, at cost, net of accumulated depreciation and amortization of \$752,447 and \$715,328	485,673	503,976
Deferred income taxes	82,184	60,189
Other assets	45,413	52,237
	<hr/>	<hr/>
	\$ 4,287,692	\$ 4,687,797
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<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Short-term bank loans	\$ 102,400	\$ 16,400
Checks payable	227,271	299,120
Securities loaned	187,375	207,012
Payables:		
Customers	1,009,784	749,901
Brokers, dealers and clearing organizations	120,584	735,738
Securities sold but not yet purchased, at fair value	38,557	36,439
Employee compensation and related taxes	313,899	440,833
Deferred compensation	224,152	223,821
Income taxes	17,444	7,378
Other liabilities	190,955	183,464
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Total Liabilities	2,432,421	2,900,106
	<hr/>	<hr/>
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	296,300	295,478
Retained earnings	2,209,306	2,137,114
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	2,602,069	2,529,055
Less - Treasury stock, at cost (19,699,986 and 19,442,437 shares)	746,798	741,364
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Total Stockholders' Equity	1,855,271	1,787,691
	<hr/>	<hr/>
	\$ 4,287,692	\$ 4,687,797
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See Notes to Condensed Consolidated Financial Statements.

## A.G. EDWARDS, INC.

## CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

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

(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2005	2004	2005	2004
<b>REVENUES:</b>				
Commissions	\$ 249,840	\$ 232,038	\$ 496,966	\$ 512,047
Asset management and service fees	257,874	219,304	508,169	438,227
Principal transactions	52,319	70,999	103,829	140,400
Investment banking	67,821	57,872	126,582	118,313
Interest	42,184	30,002	82,928	58,856
Other	4,759	4,753	11,475	13,679
<b>Total Revenues</b>	<b>674,797</b>	<b>614,968</b>	<b>1,329,949</b>	<b>1,281,522</b>
Interest expense	2,261	699	4,474	1,363
<b>Net Revenues</b>	<b>672,536</b>	<b>614,269</b>	<b>1,325,475</b>	<b>1,280,159</b>
<b>NON-INTEREST EXPENSES:</b>				
Compensation and benefits	437,060	400,090	856,498	831,021
Communication and technology	60,493	58,914	115,850	125,045
Occupancy and equipment	37,281	35,268	71,386	70,044
Marketing and business development	18,072	14,350	39,096	37,473
Floor brokerage and clearance	4,673	5,723	9,929	10,923
Other	36,410	36,800	73,734	69,203
<b>Total Non-Interest Expenses</b>	<b>593,989</b>	<b>551,145</b>	<b>1,166,493</b>	<b>1,143,709</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>78,547</b>	<b>63,124</b>	<b>158,982</b>	<b>136,450</b>
<b>INCOME TAXES</b>	<b>28,709</b>	<b>22,496</b>	<b>57,289</b>	<b>49,558</b>
<b>EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>\$ 49,838</b>	<b>\$ 40,628</b>	<b>\$ 101,693</b>	<b>\$ 86,892</b>
<b>CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>2,768</b>	<b>-</b>
<b>NET EARNINGS</b>	<b>\$ 49,838</b>	<b>\$ 40,628</b>	<b>\$ 104,461</b>	<b>\$ 86,892</b>
Earnings per diluted share:				
Earnings before cumulative effect of accounting change	\$0.64	\$0.52	\$1.31	\$1.09
Cumulative effect of accounting change, net of income taxes	-	-	0.04	-
<b>Earnings per diluted share</b>	<b>\$0.64</b>	<b>\$0.52</b>	<b>\$1.35</b>	<b>\$1.09</b>
Earnings per basic share:				
Earnings before cumulative effect				

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of accounting change	\$0.65	\$0.52	\$1.31	\$1.10
Cumulative effect of accounting change,				
net of income taxes	-	-	0.04	-
Earnings per basic share	<u>\$0.65</u>	<u>\$0.52</u>	<u>\$1.35</u>	<u>\$1.10</u>
Dividends per share	<u>\$0.16</u>	<u>\$0.16</u>	<u>\$ 0.32</u>	<u>\$ 0.32</u>
Weighted average common and common equivalent shares outstanding:				
Diluted	<u>77,358</u>	<u>79,156</u>	<u>77,414</u>	<u>80,053</u>
Basic	<u>77,052</u>	<u>78,305</u>	<u>77,133</u>	<u>79,188</u>

See Notes to Condensed Consolidated Financial Statements.



**A. G. EDWARDS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

	Six Months Ended August 31,	
	2005	2004
	<hr/>	<hr/>
Cash Flows from Operating Activities:		
Net earnings	\$ 104,461	\$ 86,892
Cumulative effect of accounting change, net of income taxes	(2,768)	-
Other noncash items included in net earnings	17,959	82,380
Change in:		
Cash and government securities, segregated	47,660	232,166
Net securities under resale and repurchase agreements	152,741	22,355
Net securities borrowed and loaned	(67,462)	36,782
Net receivable from customers	399,092	(333,536)