

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-13** | Period of Report: **1993-11-30**
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FILER

EDWARDS A G INC

CIK: **718482** | IRS No.: **431288229** | State of Incorpor.: **DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-08527** | Film No.: **94501373**
SIC: **6211** Security brokers, dealers & flotation companies

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended November 30, 1993

Commission file number 1-8527

A.G. EDWARDS, INC.

DELAWARE
State of Incorporation:

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

One North Jefferson Avenue
St. Louis, Missouri 63103

Registrant's telephone number, including area code: (314) 289-3000

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 of 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 X No

At January 3, 1994, there were 59,596,287 shares of A.G. Edwards, Inc. common stock, par value \$1, issued and outstanding.

A.G. EDWARDS, INC.

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A.G. EDWARDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	November 30, 1993	February 28, 1993
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 32,417	\$ 27,963
Cash and government securities, at market, segregated under federal and other regulations	45,760	286,239
Receivable from brokers and dealers	278,330	475,468
Receivable from customers, less allowance for doubtful accounts of \$3,350 and \$3,250	1,160,500	950,937
Securities inventory, at market:		
State and municipal	85,523	87,418
Government and agencies	34,010	34,827
Corporate	38,725	27,503
Property and equipment, at cost, net of accumulated depreciation and amortization of \$121,414 and \$106,760	140,988	140,790
Other assets	98,239	80,047
	-----	-----
	\$1,914,492	\$2,111,192
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank loans	\$ 22,300	\$ -
Checks payable	117,853	113,665
Payable to brokers and dealers	335,477	503,379
Payable to customers	392,331	575,283
Securities sold but not yet purchased, at market	11,222	10,576
Employee compensation and related taxes	249,830	244,226
Income taxes	8,388	18,242
Other liabilities	36,940	30,581
	-----	-----
Total Liabilities	1,174,341	1,495,952
Stockholders' Equity:		
Preferred stock, \$25 par value:		
Authorized 4,000,000 shares, none issued		
Common stock, \$1 par value:		
Authorized 250,000,000 shares		
Issued 59,595,979 and 46,158,664 shares	59,596	46,159
Additional paid-in capital	149,566	125,328
Retained earnings	544,512	452,045
	-----	-----
	753,674	623,532
Less - Unamortized expense of restricted stock awards	13,523	8,292
	-----	-----
Total Stockholders' Equity	740,151	615,240
	-----	-----
	\$1,914,492	\$2,111,192

<FN>

See Notes to Consolidated Financial Statements.

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A.G. EDWARDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Commissions	\$193,612	\$141,934	\$563,720	\$424,159
Principal transactions	43,337	53,564	144,226	154,905
Investment banking	46,656	26,921	121,929	79,377

Interest	18,903	15,498	54,837	48,139
Other	24,764	20,979	71,837	62,156
	-----	-----	-----	-----
	327,272	258,896	956,549	768,736
EXPENSES:				
Compensation and benefits	210,392	165,754	617,945	494,321
Communications	18,335	16,196	54,764	49,650
Occupancy and equipment	17,145	15,528	49,973	45,801
Floor brokerage and clearance	3,606	3,334	11,441	10,816
Interest	249	405	971	1,685
Other operating expenses	12,663	12,209	40,408	34,584
	-----	-----	-----	-----
	262,390	213,426	775,502	636,857
EARNINGS BEFORE INCOME TAXES	64,882	45,470	181,047	131,879
INCOME TAXES	23,770	16,790	66,240	48,860
	-----	-----	-----	-----
NET EARNINGS	\$ 41,112	\$ 28,680	\$114,807	\$ 83,019
Earnings per share	\$.67	\$.49	\$1.91	\$1.44
Dividends per share	\$.14	\$.10	\$.38	\$.31
Average common and common equivalent shares outstanding	60,785	58,095	59,992	57,533

<FN>
See Notes to Consolidated Financial Statements.

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A.G. EDWARDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED NOVEMBER 30, 1993 AND 1992
(In thousands, except per share amounts)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unamortized Expense of Restricted Stock Awards	Treasury Stock
	<C>	<C>	<C>	<C>	<C>
BALANCES, March 1, 1992	\$44,466	\$ 95,033	\$357,244	\$ (4,733)	\$ 0
Net earnings			83,019		
Cash dividends - \$.31 per share			(17,693)		
Treasury stock acquired					(21)
Stock issued:					
Employee stock purchase/options	1,186	16,660			122
Restricted stock	388	9,798		(10,054)	(101)
Amortization of restricted stock awards				4,907	
	-----	-----	-----	-----	-----
BALANCES, November 30, 1992	\$46,040	\$121,491	\$422,570	\$ (9,880)	\$ 0
BALANCES, March 1, 1993	\$46,159	\$125,328	\$452,045	\$ (8,292)	\$ 0
Net earnings			114,807		
Cash dividends - \$.38 per share			(22,340)		
Treasury stock acquired					(9)
Stock issued:					
Employee stock purchase/options	1,134	22,780			427
Restricted stock	384	13,377		(11,953)	(418)
Amortization of restricted stock awards				6,722	
Stock split -- 5-for-4	11,919	(11,919)			
	-----	-----	-----	-----	-----
BALANCES, November 30, 1993	\$59,596	\$149,566	\$544,512	\$ (13,523)	\$ 0

<FN>
See Notes to Consolidated Financial Statements.
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A.G. EDWARDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended November 30,	
	1993	1992
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net earnings	\$ 114,807	\$ 83,019
Noncash items included in earnings	28,899	23,330
Decrease in segregated cash and government securities	240,479	176,724
Increase in net payable from brokers and dealers	29,236	216,052
Increase in net receivable from customers	(392,515)	(434,223)
(Increase) decrease in net securities inventory	(7,864)	9,950
Net change in other assets and liabilities	(16,854)	(14,780)
	-----	-----
Net cash (used in) provided by operating activities	(3,812)	60,072
Cash Flows from Investing Activities:		
Securities purchased under agreements to resell		(51,209)
Capital expenditures and other investments	(17,416)	(19,930)
	-----	-----
Net cash used in investing activities	(17,416)	(71,139)
Cash Flows from Financing Activities:		
Net proceeds of bank loans	22,300	
Employee stock transactions	25,731	17,968
Cash dividends	(22,340)	(17,693)
Other financing uses	(9)	(21)
	-----	-----
Net cash provided by financing activities	25,682	254
Net Increase (Decrease) in Cash and Cash Equivalents	4,454	(10,813)
Cash and Cash Equivalents at March 1	27,963	41,534
	-----	-----
Cash and Cash Equivalents at November 30	\$ 32,417	\$ 30,721

<FN>
Income tax payments totaled \$80,172 and \$54,442 during the nine month period ended November 30, 1993 and 1992, respectively.

<FN>
Interest payments totaled \$948 and \$1,659 during the nine month period ended November 30, 1993 and 1992, respectively.

<FN>
Supplemental disclosure of noncash financing activities - restricted stock awarded, net of forfeitures, totaled \$11,953 and \$10,054 during the nine month period ended November 30, 1993 and 1992, respectively.

<FN>
See Notes to Consolidated Financial Statements.
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A.G. EDWARDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED NOVEMBER 30, 1993
(Unaudited)

FINANCIAL STATEMENTS:

The consolidated financial statements include the accounts of A.G. Edwards, Inc. and its wholly owned subsidiaries (collectively referred to as the "Company"), including its principal subsidiary, A.G. Edwards & Sons, Inc. ("Edwards"), and have been prepared in conformity with generally accepted accounting principles. These financial statements should be read in conjunction with the Company's annual report for the year ended February 28, 1993. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been reflected. All such adjustments consist of normal recurring accruals unless otherwise disclosed in these interim financial statements. The results of operations for the nine months ended November 30, 1993, are not necessarily indicative of the results for the year ending February 28, 1994.

COMMON STOCK:

All share amounts and share data have been restated to reflect a five for four stock split, effected in the form of a stock dividend, declared on November 19, 1993 and payable on January 3, 1994 to holders of record December 10, 1993.

Options to purchase 1,231,250 shares of common stock granted to employees under the Employee Stock Purchase Plan are exercisable October 1, 1994, at 85% of market price based on dates specified in the plan. Employees purchased 1,227,908 shares at \$17.17 per share in October 1993.

NET CAPITAL REQUIREMENTS:

Edwards is subject to the uniform net capital rule of the Securities and Exchange Commission ("SEC"). This rule requires Edwards to maintain a minimum net capital, as defined, and to notify, and sometimes obtain approval of, the SEC and other regulatory organizations for substantial withdrawals of capital and loans to affiliates. At November 30, 1993, Edwards' net capital of \$460,094,000 was \$437,300,000 in excess of the minimum required.

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A.G. EDWARDS, INC. AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION

NINE MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO
NINE MONTHS ENDED NOVEMBER 30, 1992

Results of Operations

The nine months ended November 30, 1993 saw a continuation of the high level of retail investor activity experienced during our last two fiscal years. The Dow Jones Industrial Average reached a new record high in November, while increasing 9% during the period to 3,684 from 3,371 at February 28, 1993. Trading volumes also increased with NYSE average daily volume rising 34% and Nasdaq volume increasing 47% over the same period last year. The number of branches and brokers increased to 486 and 5,095, which represent increases of 4% and 7%, respectively, compared with the same period last year.

Total revenues increased \$188 million (24%) over last year, from \$769 million to \$957 million. Expenses were \$776 million, an increase of \$139 million (22%), resulting in profit margins of 12.0% in 1993 versus 10.8% in 1992.

Total commission revenue increased \$140 million (33%) reflecting increased trading volume and, to a lesser extent, expansion of the Company's distribution system. Equity related commissions rose \$63 million while mutual fund and insurance sales increased \$53 million and \$20 million, respectively. Stocks and mutual funds continue to offer clients potentially higher returns than those available from bank time deposits. Insurance revenue rose due to increased demand for variable annuities caused by declining interest rates and higher tax rates.

Revenues from principal transactions decreased \$11 million (7%). Debt sales, primarily government bonds, were down \$19 million (14%) due to lower interest rates and a shift to mutual funds, variable annuities and other equity products which offer higher effective yields. This was partially offset by over-the-counter equity sales increasing \$8 million (40%) as activity continues to be strong due to rising prices coupled with higher volume in the Nasdaq Market.

Investment banking revenue rose \$43 million (54%) principally due to the increase in corporate equity and management fee revenues. Revenues from corporate equity issues increased \$24 million (64%) due to the continued vigorous activity in initial public offerings. Management fees have also increased \$14 million (87%) due to participation as manager or co-manager in a larger number of offerings this year.

Interest revenues increased \$7 million (14%) due to higher customer receivables, partially offset by lower interest rates.

Other revenues increased \$10 million (16%) due to an increase in fees received in connection with customer investments under professional management. Service fees have also increased due to a rise in the number of accounts and trades.

Compensation and benefits increased \$124 million (25%) primarily from higher commission expense due to increased commissionable revenue and higher incentive related compensation caused by increased earnings. Salaries and related benefits also rose as a result of branch and home office expansion. Deferred compensation increased \$14 million primarily due to an amendment to the Incentive Stock Plan for restricted stock awards. Beginning in fiscal 1994, the amount of the award is expensed in the current period and no longer amortized over the restriction period.

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A.G. EDWARDS, INC. AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION
(Continued)

Communication expense increased \$5 million (10%) and occupancy and equipment expense increased \$4 million (9%). Communication expense increased primarily due to higher postage and quote service costs caused by expansion, increased trade activity and rising quote service rates. Occupancy and equipment increased as a result of higher rental costs, real estate taxes and maintenance costs associated with computer equipment.

Interest expense decreased \$.7 million (42%) due to the decrease in average bank loans coupled with lower interest rates.

Other expense rose \$6 million (17%) primarily due to increased costs associated with litigation and higher publications and subscription expenses.

Liquidity and Capital Resources

No material changes have taken place since February 28, 1993 regarding the Company's liquidity, capital resources and overall financial condition.

THREE MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO
THREE MONTHS ENDED NOVEMBER 30, 1992

Net earnings for the quarter ended November 30, 1993 were \$41 million on revenues of \$327 million compared to net earnings of \$29 million on revenues of \$259 million for the same period a year ago. Except for other expenses which were basically flat, the explanations of revenue and expense fluctuations presented in the results for the nine month period are generally applicable to the three months of operations.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

There have been no material changes in the legal proceedings previously reported in the Company's Annual Report on Form 10-K for the year ended February 28, 1993.

Item 6: Exhibits and Reports on 8-K

Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended November 30, 1993.

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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 thereunto duly authorized.

A.G. EDWARDS, INC.
(Registrant)

Date: January 13, 1994

/s/ Benjamin F. Edwards, III

BENJAMIN F. EDWARDS, III
Principal Executive Officer

Date: January 13, 1994

/s/ David W. Mesker

DAVID W. MESKER
Principal Financial Officer

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