

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-07** | Period of Report: **1993-11-26**
SEC Accession No. **0000719544-94-000003**

([HTML Version](#) on secdatabase.com)

FILER

QUICK & REILLY GROUP INC /DE/

CIK: **719544** | IRS No.: **133082841** | State of Incorpor.: **DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-08517** | Film No.: **94500632**
SIC: **6211** Security brokers, dealers & flotation companies

Mailing Address

26 BROADWAY, 11TH FLOOR
NEW YORK NY 10004

Business Address

230 SOUTH COUNTY RD
PALM BEACH FL 33480
4076558000

THE QUICK & REILLY GROUP, INC. AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED November 26, 1993

INDEX

	Page Number
Part I.	
Item 1. Financial Statements	
Consolidated Statements of Financial Condition - November 26, 1993 (Unaudited) and February 28, 1993	1
Consolidated Statements of Income (Unaudited) - Three Months Ended November 26, 1993 and November 27, 1992	2
Consolidated Statements of Income (Unaudited) - Nine Months Ended November 26, 1993 and November 27, 1992	3
Consolidated Statements of Cash Flows (Unaudited) - Nine Months Ended November 26, 1993 and November 27, 1992	4
Notes to Consolidated Financial Statements (Unaudited)	5 - 6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7 - 8

SIGNATURE PAGE

<TABLE>

The Quick & Reilly Group, Inc. and Subsidiaries
Consolidated Statements of Financial Condition

<CAPTION>

November 26, 1993	February 28, 1993
----------------------	----------------------

	(Unaudited)	
ASSETS	<C>	<C>
<S>		
Cash & Cash Equivalents	\$48,008,705	\$46,230,544
Receivable from Brokers, Dealers and Clearing Organizations	1,515,153,637	703,370,780
Receivable From Customers	700,215,044	541,821,008
Securities Owned at Market Value -		
U.S. Government	6,021,368	4,879,596
Municipal	41,093,482	35,671,130
Equities and Other	17,434,038	15,281,855
Secured Demand Notes Receivable- Fully Collateralized	410,000	410,000
Exchange Memberships- At Cost (Market Value \$9,040,000 and \$6,255,000)	3,333,060	3,333,060
Furniture, Equipment and Leasehold Improvements- At Cost Less Accumulated Depreciation and Amortization of \$7,709,000 and \$4,557,801	5,625,252	5,966,353
Other Assets	19,472,996	20,000,321
TOTAL ASSETS	\$2,356,767,582	\$1,376,964,647
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Money Borrowed From Banks	\$1,000,000	\$28,050,000
Drafts Payable	12,078,775	46,297,851
Payable to Brokers, Dealers and Clearing Organizations	1,719,850,963	806,167,005
Payable to Customers	379,212,984	278,943,565
Securities Sold, But Not Yet Purchased- At Market Value	9,748,993	11,900,408
Income Taxes Payable	5,380,390	6,989,147
Accrued Expenses and Other Liabilities	31,438,232	28,881,141
Secured Demand Notes Payable	410,000	410,000
Total Liabilities	2,159,120,337	1,207,639,117

Commitments and Contingencies <F2>		
Shareholders' Equity <F3>		
Preferred Stock, \$.01 par value; authorized 1,000,000 shares, none issued and outstanding		
Common Stock, \$.10 par value; authorized 20,000,000 shares, issued 10,703,047 shares in November 1993 and 10,176,937 shares in February 1993	1,070,305	1,017,693
Paid-In Capital	54,859,826	41,576,880
Retained Earnings	141,862,964	127,898,457
	197,793,095	170,493,030
Less: Common Stock in Treasury, at Cost- 7,500 shares in November 1993, and 60,000 in February 1993	(145,850)	(1,167,500)
TOTAL SHAREHOLDERS' EQUITY	197,647,245	169,325,530

TOTAL LIABILITIES AND
SHAREHOLDERS' EQUITY

\$2,356,767,582 \$1,376,964,647

The accompanying notes are an integral part of these statements.

</TABLE>

<TABLE>

The Quick & Reilly Group, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

<CAPTION>

	Three Months Ended	
	November 26, 1993	November 27, 1992
REVENUES		
<S>	<C>	<C>
Commissions and Clearance Income	\$39,306,591	\$28,840,679
Interest	18,685,212	10,976,714
Specialist Trading and Commissions	9,240,975	4,076,106
Other	1,466,162	725,021
Total Revenues	68,698,940	44,618,520
EXPENSES		
Employee Compensation and Benefits	21,166,118	14,946,684
Interest	11,139,379	5,603,755
Brokerage, Exchange and Clearance Fees	2,955,486	2,581,993
Data Processing and Equipment Rental	4,184,121	3,278,513
Communication	562,326	945,172
Printing, Postage, Stationery and Office Supplies	1,467,638	1,059,800
Advertising	1,680,741	1,338,504
Rent and Other Occupancy	1,529,330	1,282,043
Professional Services	530,030	365,207
Amortization of Intangibles	648,696	988,014
Other	2,732,331	2,001,883
Total Expenses	48,596,196	34,391,568
Income Before Provision for Income Taxes	20,102,744	10,226,952
Provision for Income Taxes	9,918,477	4,632,034
NET INCOME	\$10,184,267	\$5,594,918
Weighted Average Number Of Shares		
Earnings Per Share <F3>	\$0.953	\$0.542
Weighted Average Number Of Shares Outstanding During the Period	10,691,112	10,315,061
Cash Dividends Declared Per Share	\$0.10	\$0.08

The accompanying notes are an integral part of these statements.

</TABLE>

<TABLE>

The Quick & Reilly Group, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

<CAPTION>

	Nine Months Ended	
	November 26, 1993	November 27, 1992
REVENUES		
<S>	<C>	<C>
Commissions and Clearance Income	\$113,109,004	\$84,787,041
Interest	47,597,780	34,510,740
Specialist Trading and Commissions	25,608,759	11,041,698
Other	3,847,651	3,699,653
Total Revenues	190,163,194	134,039,132
EXPENSES		
Employee Compensation and Benefits	57,374,861	41,951,308
Interest	26,812,984	17,739,361
Brokerage, Exchange and Clearance Fees	9,443,891	8,177,386
Data Processing and Equipment Rental	12,158,015	9,796,033
Communication	2,028,279	2,366,867
Printing, Postage, Stationery and Office Supplies	4,999,268	3,147,024
Advertising	4,811,067	4,477,510
Rent and Other Occupancy	4,324,000	3,703,032
Professional Services	1,747,537	1,468,266
Amortization of Intangibles	1,902,048	3,388,713
Other	8,078,705	6,059,016
Total Expenses	133,680,655	102,274,516
Income Before Provision for Income Taxes	56,482,539	31,764,616
Provision for Income Taxes	26,126,675	14,178,387
NET INCOME	\$30,355,864	\$17,586,229
Earnings Per Share <F3>	\$2.846	\$1.700
Weighted Average Number Of Shares		
Outstanding During the Period	10,667,701	10,341,928
Cash Dividends Declared Per Share	\$0.30	\$0.24

The accompanying notes are an integral part of these statements.

</TABLE>

<TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

<CAPTION>

	Nine Months Ended	
	November 26, 1993	November 27, 1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net Income	\$30,355,864	\$17,586,229
Adjustments to Reconcile Net Income to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization	3,285,303	4,499,351
Decreases (Increases) in Operating Assets:		
Receivable from Brokers, Dealers, and Clearing Organizations	(811,782,857)	(201,810,448)
Receivable from Customers	(158,394,036)	(81,584,535)
Securities Owned	(8,716,307)	(866,677)
Other Assets	(1,405,153)	4,464,758
Increases (Decreases) in Operating Liabilities:		
Money Borrowed From Banks	(27,050,000)	(2,500,000)
Drafts Payable	(34,219,076)	3,216,576
Payable to Brokers, Dealers, and Clearing Organizations	913,683,958	283,272,260
Payable to Customers	100,269,419	(8,740,550)
Securities Sold, But Not Yet Purchased	(2,151,415)	2,159,321
Income Taxes Payable	(1,608,757)	(4,578,449)
Accrued Expenses and Other Liabilities	2,557,091	(2,651,657)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,824,034	12,466,179
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends Paid on Common Stock	(3,151,001)	(2,362,528)
Cash Paid in Lieu of Shares Issued on Account of 5% Stock Dividend	(4,333)	-
Proceeds from Issuance of Common Stock Under Stock Option Plan and Related Tax Benefits	-	229,532
Sale of Treasury Stock Under Stock Option Plan and Related Tax Benefits	1,121,185	-
Purchase of Treasury Stock	-	(1,167,500)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,034,149)	(3,300,496)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Purchase of Furniture, Equipment and Leasehold Improvements	(1,011,724)	(4,761,809)
NET CASH USED IN INVESTING ACTIVITIES	(1,011,724)	(4,761,809)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,778,161	4,403,874
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	46,230,544	29,314,965
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$48,008,705	\$33,718,839

SUPPLEMENTAL DISCLOSURE OF CASH
FLOW INFORMATION:

Cash Paid During the Year For:

Interest	\$27,922,638	\$19,857,548
Income Taxes	28,484,159	16,242,800
Noncash Financing and Investing Activities:		
5% Stock Dividend Declared	\$13,236,023	-
Issuance of Common Stock Pursuant to Stokes, Hoyt & Co. Acquisition	\$1,947	-

The accompanying notes are an integral part of these statements.

</TABLE>

THE QUICK & REILLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying interim financial statements reflect all adjustments which are, in opinion of management, necessary for a fair presentation of results for the interim periods presented. It is recommended that these financial statements be read in conjunction with the Company's Financial Statements and Notes thereto included in the 1993 Annual Report which is incorporated by reference on Form 10-K.

2. Commitments and Contingencies

Margin requirements of \$30,310,000 with a clearing corporation at November 26, 1993, have been satisfied by obtaining letters of credit of \$33,000,000 secured by customers' margin account securities.

In the ordinary course of their securities business, certain of the Company's subsidiaries have been named defendants in a number of lawsuits. In the opinion of the management, based on discussion with counsel, the resolutions of such lawsuits will not in the aggregate have a material adverse effect on the financial condition of the Company.

3. Earnings Per Share

On April 12, 1993, the Company declared a 5% stock dividend on the Company's common stock. The shares issued to effect the stock dividend were distributed on July 15, 1993 to shareholders of record on June 14, 1993.

All per share amounts for earnings prior to April 12, 1993, have been adjusted to give effect to this transaction. Earnings

per share have been calculated by dividing net income by the weighted average number of shares outstanding for each quarter, after giving effect to the transaction described above for per share amounts prior to April 12, 1993.

4. Income Taxes

For three months ended November 26, 1993, the effective income tax rate differs from the expected Federal tax rate applied to income before income taxes primarily due to state and local taxes.

5. Net Capital Requirements

As registered broker-dealers and member firms of the New York Stock Exchange, Inc., three subsidiaries are subject to certain capital rules of both the SEC and the NYSE. These rules require registrants to maintain minimum levels of net capital, as defined, and may require a member to reduce its business or prohibit a member from expanding its business and declaring dividends as its net capital approaches specified levels. As of November 26, 1993, the subsidiaries had net capital, in the aggregate, of \$140,188,000, which exceeded aggregate minimum net capital requirements by \$111,742,000.

6. Dividend Declared

On October 3, 1993, the Board of Directors declared a cash dividend of \$0.10 per share payable on January 2, 1994 to holders of record on December 1, 1993.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Total Assets of the Quick & Reilly Group, Inc. increased \$979,803,000 or 71% for November 26, 1993 versus February 28, 1993. Receivable From Brokers, Dealers and Clearing Organizations increased \$811,783,000 or 115% primarily due to increases in stock borrowed activity. Receivable From Customers increased \$158,394,000 or 29% due to increased trading activities. U.S. Government Securities increased \$1,142,000 or 23% due to increases in clearing organization depository requirements. Municipal bonds increased \$5,422,000 or 15% due to increased investment in Municipals in lieu of lower yielding cash equivalents.

Total Liabilities of the Company increased \$951,481,000 or 79% for November 26, 1993 versus February 28, 1993. Money Borrowed From Banks decreased \$27,050,000 or 96% due to the increase in stock loan activities, as did Drafts Payable, decreasing \$34,219,000 or 74%. Payable to Brokers, Dealers and Clearing Organizations increased \$913,684,000 or 113% due to the increase in stock loan activity. Payable to Customers increased \$100,269,000 or 36% primarily due to increases in customer free credit balances and trading activities. Accrued Expenses and Other Liabilities increased \$2,557,000 or 9% due to the increased volume of business and its

related costs.

Total Revenue for the third quarter ended November 26, 1993 increased \$24,080,000 or 54% compared to the corresponding third quarter ended November 27, 1992. The nine month comparison shows a Total Revenue increase of \$56,124,000 or 41%. Commission and Clearance Income increased \$10,466,000 or 36% for the three month comparison and \$28,322,000 or 33% for the ninth month comparison of Fiscal 1994 versus Fiscal 1993. The increases are due to an increase in volume in the securities markets. Interest Income increased \$7,708,000 or 70% for the three month period and \$13,087,000 or 38% for the nine month period due to increased customer margin debits and increased stock borrowed activities. Interest Expense increased \$5,536,000 or 99% for the three month period and \$9,074,000 or 51% for the nine month period primarily due to increased stock loan activities. Specialist Trading and Commissions increased \$5,165,000 or 127% for the three month comparison and \$14,567,000 or 132% for the nine month comparison due to more favorable market conditions and the merger of Stokes, Hoyt & Co. into JJC Specialist Corp. Other Revenues increased \$741,000 or 102% for the three month period primarily due to increases in trading income.

Total Expenses for the third quarter ended November 26, 1993 increased \$14,205,000 or 41% and increased \$31,406,000 or 31% for the nine month period comparison. Employee Compensation and Benefits increased \$6,219,000 or 42% for the three month comparison and \$15,424,000 or 37% for the nine month comparison due to the Stokes, Hoyt & Co. merger, and increases in incentive compensation. Brokerage, Exchange and Clearance Fees increased \$373,000 or 15% for the three month comparison and \$1,267,000 or 16% for the nine month comparison due to the increased trading volume. Data Processing and Equipment Rental increased \$906,000 or 28% for the three month comparison and \$2,362,000 or 24% for the nine month comparison also due to the increase in volume. Printing, Postage, Stationery and Office Supplies increased \$408,000 or 39% for the three month comparison and \$1,852,000 or 59%, for the nine month comparison, due to increased volume, as did Other Expenses, increasing \$391,000 or 13% for the three month comparison and \$553,000 or 6% for the nine month comparison. Rent and Occupancy increased \$247,000 or 19% for the three month comparison and \$621,000 or 17% for the nine month comparison primarily due to additional branch openings for Quick & Reilly, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE QUICK & REILLY GROUP, INC.

BY: -----
Leslie C. Quick, Jr.

Chairman of the Board
Chief Executive Officer

BY: -----
Leslie C. Quick, III
President