

# [Profiles in american enterprise 1674 essay](https://assignbuster.com/profiles-in-american-enterprise-1674-essay/)

A. G. Edwards Inc.

The industry for securities is undoubtedly an exciting and fast paced

industry. This means that brokerage firms such as A. G. Edwards and Sons

must always be watching the stock prices on every stock in the market so

that they can give their clients maximum profit. When A. G. Edwards and

Sons” clients do well then in turn so does the brokerage firm. A. G.

Edwards Inc. is not the biggest corporations in America, but yet it is

still a very large corporation and has great importance in the industry

for which it participates. This paper will give an in depth explanation

about how A. G. Edwards functions as a cor-poration.

Along with competition from the government, banks and other brokerage

firms there is also probably the biggest factor involved of interest

rates. Interest rates are indi-rectly proportional to the activity in

the stock market. This means that when the interest rates fall the

market for securities becomes active. This is due to the fact that

people want the highest yield on there money and when interest rates are

low, investing money into a bank would yield less money then it would

have before at a higher interest rate. So people tend to want to put

there money into something that will give them a higher yield and stocks

are just that.

An example of this inversely proportional relationship is always being

demon-strated and was demonstrated in the past few years. At the end of

1992 to the beginning of 1993 the volume in most businesses was at

record levels obtaining a pre-tax net income for the whole industry of

9. 1 billion dollars setting a new record for the second year in a row

(Hoover” s Company & Industry Database, 1993, p. 1 (Hoover, 1993, p. 1)).

This trend continued when in the beginning half of 1993 offerings (new

business for the com-pany) exceeded those of 1992 (Hoover, 1993, p. 2).

Examples of this are as follows; more than 700 billion dollars of debt

was issued in 1992 and then in the first half of 1993 an-other 440

billion dollars of debt was issued (Hoover, 1993, p. 2). More than half

of this debt was due to asset-backed debt such as credit cards and other

charges made to credit (Hoover, 1993, p. 2). These debts were included

because the debts were more or less sold to banks and other money

lending institutions who were more willing to take the risk for the high

interest rate.

This drop in interest rates did wonders for the brokerage firms involved

and also corporations that had acquired debt over the years. The fall

of interest rates was great for the brokerage firms because of the

increase in business with the public” s desire to invest. So the

corporations used it to issue off more stock to the public to pay off

their debts (Hoover, 1993, p. 2).

As if interest rates didn” t have enough effect on brokerage firms, there

is also the heavy competition that was involved. This competition is

not only from other top broker-age firms such as Merrill Lynch, Morgan

Stanley, Primerica (Smith Barney Shearson), Salomon, and Goldman Sachs,

but there is also competition from big banks and securities over seas.

Banks have a number of ways to compete with security firms, but the most

prevalent and direct is through mutual funds. Since the late 1980″s

banks have been ag-gressively competing with mutual fund sponsors by

issuing there own mutual funds to the public (Hoover, 1993, p. 3).

Mutual funds that are issued by banks are now the fastest growing part

of the mutual fund industry, with 10. 6 percent of total assets and 30

percent of new sales (Hoover, 1993, p. 3). There has just recently been

a large amount of compe-tition from markets overseas and this

competition continues to increase. There are a few theories as to what

has caused so many U. S. investors to invest in foreign markets. It is

supposed that it is either individual investors who want to further

their portfolio or in-vesting in foreign markets to try and avoid

interest rates and changes in currency (Hoover, 1993, p. 4). The

investment in foreign markets has also been attributed to technology and

the fact that up to date information can be obtained instantly from any

place in the world (Hoover, 1993, p. 4). But whatever has caused it

global securities have skyrocketed.

Before the organization and structure of the company a brief history

and explana-tion of the company will be discussed. A. G. Edwards & Sons

was founded in 1887 by Benjamin Franklin Edwards making A. G. Edwards &

Son the first St. Louis brokerage to handle trades for the local banks

on the New York Stock Exchange (Flagg, 1994, p. 56). Then three years

later Benjamin” s younger brother joined the company changing the name to

read A. G. Edwards & Sons (Flagg, 1994, p. 56). In 1898 Edwards bought a

seat on the NYSE and then in 1900 opened its first office in New York

(Flagg, 1994, p. 56). In 1925 Benjamin” s son joined the team and later

became a managing partner (Flagg, 1994, p. 56). One of A. G. Edwards &

Sons greatest accomplishments in the past was the fact that on Black

Thursday the single most largest lost was 5, 000 dollars out of more than

one million dollars (Flagg, 1994, p. 56). This well managed event

proved that A. G. Edwards had what it took back then to make it in the

stock brokerage industry. Later down the line A. G. Edwards & Sons

formed a type of mother company entitled A. G. Edwards Inc. which now

oversees many other businesses. To this day the company still displays

these similar types of skills and that is why the industry has continued

to excel.

Despite the fact that most people haven” t heard of A. G. Edwards Inc.,

it is actually quite a large company. The corporation is described as a

“ holding company (Compact Disclosure, 1996, p. 1 (CD, 1996, p. 1)).” The

corporation contains many subsidiaries which are the following: A. G.

Edwards & Sons, Inc., Ceres Investment Co., Indianapolis Historic

Partners, AGE Commodity Clearing Corp., A. G. Edwards Life Insurance Co.,

Edwards Development Corp., A. G. Edwards Trust Co., A. G. Edwards Asset

Performance Monitor, Inc., A. G. E. Properties, Inc., A. G. E. Reality

Corp., A. G. E. Redevelopment Corp., Gull-Age Capital Group, Inc., AGE

Investments, Inc. (CD, 1996 , p. 12). All of these subsidiaries perform

the following tasks: provide security and commodity brokerage services

for individual, corporate and institutional clients; distribute mutual

funds, handle corporate and municipal unit trusts, tax incentive

investments, life insurance and annuities; provide investment banking

services for corporate, governmental and municipal clients; and operate

as a futures commission merchant (CD, 1996, p. 1). As you can see A. G.

Ed-wards Inc. is indeed a big company and has tremendous assets. Since

A. G. Edwards & Sons is the principle subsidiary, when discussing the

functions of the corporation the func-tions of A. G. Edwards & Sons will

mainly be discussed.

A. G. Edwards Inc. is the full name of the corporation and is based out

of St. Louis Missouri. The primary office of the corporation is One

North Jefferson Avenue, St. Louis MO, 63103-2205. The primary SIC Code

is 6211 Security Brokers and Dealers. The other two SIC Codes are: 6411

Insurance Agents, Brokers, and Service; and 6719 Hold-ing Companies, nec

(CD, 1996, p. 1). A. G. Edwards Inc. currently contains 11, 279

em-ployees. Since A. G. Edwards Inc. is a corporation it does contain

numerous officers the following is a list of the main officers:

Name Age Title Salary

Edwards, Benjamin F. , III 64 Chairman of the Board, President, Chief

Executive Officer, Subsidiary Officer $1, 512, 627

King, Eugene J. 64 Vice President, Subsidiary Officer NA

Proost, Robert L. 58 Vice President, Subsidiary Officer NA

Avis, Robert 64 Vice Chairman of the board, Subsidiary Oficer $1, 174, 034

Dissett, Robert C. 58 Subsidiary Officer $893, 849

Mesker, David W. 64 Treasure, Subsidiary Officer NA

Ewdards, Mary G. 53 Treasure NA

Sisler, David M. 60 Vice President NA

In the subsequent paragraphs the organization of the company will be

discussed. From reading over all of the sources that have been compiled

for this paper it is relevant to me that A. G. Edwards Inc. is a good

solid company that treats its customers well and contains employees who

are on top of things. One of the biggest problems that brokerage firms

are facing is the complexity and strict rules and regulations that are

now being pressed upon the firms (1996 Annual Report, 1996, p. 5 (1996

Report, 1996, p. 5)). Since this is occurring in the industry of

securities it is very important for A. G. Edwards to stay on top of

everything in order to keep up with the competition and stay in

business. The following is a quote from A. G. Edwards” annual report:

To remain flexible, offer the services investors need and deliver value

for what is charged. A. G. Edwards is prepared to meet these

challenges. We are confident our service-oriented philosophy, along

with our ongoing efforts to provide our in-vestment brokers the latest

technology and support resources, will position us well as we look

toward the next century (1996 Report, 1996, p. 5).

From this statement A. G. Edwards declares that they are very prepared

for whatever is ahead of them in the future and will make the sacrifices

to stay in business and continue to have content stock holders,

employees and clients. Benjamin Edwards III, the CEO of the corporation

states numerous times that the number one interest of the corporation is

to look out for the customer and always be placing them first.

The Organization of A. G. Edwards Inc. is organized like most other

corporations. The organization of A. G. Edwards Inc. can be considered

centralized. As it can be seen from the preceding chart the

organization is hierarchical. There is Banjamin Edwards who is the

president and resides over all the other positions in the corporation.

The other posi-tions include subsidiary officer, treasure, vice chairman

of the board, vice president, sec-retary, and controller assistant

secretary. Under the people in these positions is the board of

directors and then the stock holders. The interesting aspect about A. G.

Edwards Inc. is since A. G. Edwards Inc. is composed of numerous small

corporations each subsidiary has its own board of directors.

Integration in a business sense has been described to me as in the

vertical and hori-zontal senses; vertical integration being defined as

containing a general sense of one or more industries or being a full

service corporation. So basically a corporation that sup-plies numerous

services under one roof would be considered vertically integrated. With

this in mind A. G. Edwards Inc. is definitely a vertically integrated

company. A. G. Ed-wards Inc. is certainly a generalized company since is

contains so many subsidiaries.

Since A. G. Edwards Inc. oversees many other smaller companies, it also

competes in numerous other markets. These markets are the markets for:

stock, futures and com-modity brokerage, life insurance and annuities,

mutual funds, corporate and municipal trusts, and investment banking.

This is the section of the paper where the financial aspects of the

company are dis-cussed. A chart will mostly be used in order to express

the companies standing and then the chart will be explained as to what

the figures for the company signify. The following chat gives a good

general outlook as to what is numerically happening financially to the

company.

Operating Results 1996 1995 1994 1993 1992

Revenues $1, 454, 467 $1, 178, 342 $1, 278, 641 $1, 074, 388 $938, 659

Net Earnings $170, 582 $124, 119 $154, 871 $119, 425 $105, 532

Net Earnings as a Percent of Revenues 11. 7% 10. 5% 12. 1% 11. 1% 11. 2%

Earnings Per Share $2. 65 $2. 00 $2. 57 $2. 07 $1. 88

Stockholders” Equity $1, 088, 684 $919, 281 $790, 367 $615, 240 $492, 010

Return on Average Equity 17. 0% 14. 5% 22. 0% 21. 6% 24. 0%

Total Assets $3, 102, 085 $2, 224, 282 $2, 236, 590 $2, 111, 192 $1, 577, 143

From this chart many conclusions can be drawn. Before what the actual

numbers signify, the terms in the chart will be explained. Revenue is

the total gross amount of money that the corporation brought in for that

year. Net Earnings is the net income or the monetary value that the

corporation brought in that year after expenses. The earnings per share

is how much net earnings the corporation made for every share of the

company. Earnings per share is more or less the earnings divided by the

number of shares that have been issued by the corporation. The

stockholders equity is basically what return the public has gotten for

investing in the company. Then the total assets is the monetary value

of the company and everything that is connected to it. There is also

the statistics of the shares of A. G. Edwards Inc. The return on average

equity is the return on the money that is in-vested internally. The

current outstanding shares are 63, 430, 245. From that number the number

of shares held by insiders is 2, 238, 256 and the number of shareholders

is 21, 500. On January 31, 1997 the high for the price of the stock was

34. 625 and the low was 33. 125 and then closing at 34. 000 (CD, 1996, p.

8). The stock price for March 4, 1997 was a high for the day at 36 and

a low for the day at 35 3/8 and then closed at 35 3/8 which is the

unchanged price from the previous day (America Online, 1996). The

earning per share for that day was 3. 21 (America Online, 1996).

Based on what has been presented in the preceding paragraphs I think

that A. G. Edwards would be a good investment. From what I have read in

the all of the materials that have been at my disposal, A. G. Edwards

Inc. made a very good impression on me. They seem to be a corporation

that is on a right track and once it can break away from the competition

it will be huge. I also think that it is very possible for A. G. Edwards

to be-come a great company if it continues with the upward trend in

earnings that it has been displaying for the past decade. From the

chart I can draw these conclusions just by look-ing at the net earnings

and how they have increased almost 70 thousand dollars. This shows that

the company has been doing something right and thus could potentially be

a good investment.

A. G. Edwards Inc. has done very well in the industry this year making

it a record year for 1996, although much of the credit was because of

the big jump in the Dow Jones average (1996 Report. 1996, p. 3). A. G.

Edwards Inc.” s net earnings reached an all time high and resulted in the

paying of more that 100 million dollars in current year income taxes for

the first time (1996 Report, 1996, p. 3). Related to the jump in net

earnings was the fact that the stockholder” s net worth went to 1. 1

billion dollars, or 17 dollars per share (1996 Report, p. 3).

A. G. Edwards Inc. has undoubtedly experienced a great year weather or

not they can be credited with their success. Because of the increase in

earnings that A. G. Edwards has experienced the corporation was able to

expand their office locations (1996 Report, 1996, p. 3). In the fourth

fiscal quarter A. G. Edwards Inc. opened offices in Harrisburg, PA;

Galesburg, Ill; Griffin, GA; granting A. G. Edwards a total of 536

locations (1996 Re-port, 1996, p. 3). Including these office locations,

there were twenty more other office locations added around the United

States for the year of 1996 (1996 Report, 1996, p. 23). A. G. Edwards

was also able to increase its number of investment brokers to 5, 757 by

the end of the year, an increase of 5% from the prior year (1996 Report,

1996, p. 23). Also in the past twenty years A. G. Edwards has grown to

483 offices in 48 states (Siconolfi, 1993, p. 23). The broker sales

force more than doubled since the year of 1984 (Siconolfi, 1993, p.

24). These are great changes for the corporation and shows investors

that the company has a sure footing in the industry. There has also

been the past changes in the corporation with the continuous adding of

smaller subsidiary corporations which all per-form separate tasks under

the name of A. G. Edwards Inc.

From this paper the reader should have learned a great deal about A. G.

Edwards Inc. A. G. Edwards Inc. is an interesting corporation because of

numerous reasons. Probably the number one reason for this is the fact

that its main subsidiary is a brokerage firm and brokerage firms are

fast paced people working together with other people. When you have

this combination the future can never be predicted with great accuracy.

The corporation is so big considering that it contains so many other

companies, and any corpo-ration with numerous other corporations

underneath it is always fun to learn about. From this paper it is my

hope that the reader has become more knowledgeable about the

corpo-ration A. G. Edwards. Not only how much money the corporation has

pulled in or what it does, but also about how it is run and what the

attitude of the company is.

## References

Anthony, Van “ Securities Firms” 1993, September) The Securities and

Exchange Com-mission Report. Hoover” s Company & Industry Database.

CD-ROM. September 1993.

A. G. Edwards Inc. (1996, February 29). 1996 Annual Report

Siconolfi, Michael. (1993 December). “ Rating The Brokers” Smart Money,

23-26.

“ Complete Company Records” (1996, February) Compact Disclosure. CD-ROM.

February 1996.

“ Quotes and Portfolios.” (1997 March 5). America Online. Online. America

Online.

Keyword: Quotes.

Flagg, Jonas. (1994 August/September) “ A. G. Edwards: A 107-Year-Old

Legacy”

Securities Industry Management Magazine, 56.

Other References

1). I made the graph myself from data in:

“ Complete Company Records” (1996, February) Compact Disclosure. CD-ROM.

February 1996.

2). I made the graph myself from data in:

A. G. Edwards Inc. (1996, February 29). 1996 Annual Report

Table of Contents

I. Industry Overview

A. History of the industry

B. Identification of the corporation

C. Competition in the industry

D. Interesting Information about the industry

II. Company Overview

A. History of the company

B. Company Information

C. Organization of the company

III. Financial Information

A. Financial Statistics

B. Financial Analysis

IV. Corporate Culture & Trends

A. Key Recent Events

B. How the company is holding up

C. Improvements on the company

V. Conclusion

VI. References