

SEI INVESTMENTS CO
Form 10-Q
November 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)*

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2008

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____

0-10200

(Commission File Number)

SEI INVESTMENTS COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

23-1707341
(IRS Employer

incorporation or organization)

Identification Number)

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100

(Address of principal executive offices)

(Zip Code)

(610) 676-1000

(Registrant's telephone number, including area code)

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N/A

(Former name, former address and former fiscal year, if changed since last report)

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. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 6, 2008: 190,589,562 shares of common stock, par value \$.01 per share.

(Cover page 1 of 1)

PART I. FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements.****SEI Investments Company****Consolidated Balance Sheets***(unaudited)**(In thousands)*

	September 30, 2008	December 31, 2007
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 345,790	\$ 360,921
Restricted cash	34,250	10,250
Receivables from regulated investment companies	35,047	38,198
Receivables, net of allowance for doubtful accounts of \$2,956 and \$3,032 (Note 4)	218,729	236,911
Deferred income taxes	52,417	17,310
Securities owned	12,093	16,777
Other current assets	15,791	14,567
Total Current Assets	714,117	694,934
Property and Equipment, net of accumulated depreciation and amortization of \$136,968 and \$126,591 (Note 4)	150,735	143,516
Capitalized Software, net of accumulated amortization of \$47,455 and \$34,915	258,190	231,684
Marketable Securities (Note 6)	86,017	77,169
Goodwill (Notes 2 and 3)	22,842	22,842
Intangible Assets, net of accumulated amortization of \$21,607 and \$15,864 (Notes 2 and 3)	54,434	60,177
Other Assets	17,039	22,043
Total Assets	\$ 1,303,374	\$ 1,252,365

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company**Consolidated Balance Sheets***(unaudited)**(In thousands, except par value)*

	September 30, 2008	December 31, 2007
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 7,200	\$ 8,000
Accounts payable	12,047	8,690
Payable to regulated investment companies	762	601
Accrued liabilities (Note 4)	134,462	186,902
Capital Support Agreements (Note 7)	112,423	25,122
Deferred revenue	621	1,052
Total Current Liabilities	267,515	230,367
Long-term Debt	29,623	43,971
Deferred Income Taxes	81,978	73,600
Minority Interest	128,858	136,149
Other Long-term Liabilities (Note 11)	12,021	11,895
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$.01 par value, 750,000 shares authorized; 191,286 and 194,375 shares issued and outstanding	1,913	1,944
Capital in excess of par value	474,615	445,474
Retained earnings	309,645	298,975
Accumulated other comprehensive (loss) income, net	(2,794)	9,990
Total Shareholders' Equity	783,379	756,383
Total Liabilities and Shareholders' Equity	\$ 1,303,374	\$ 1,252,365

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company**Consolidated Statements of Operations***(unaudited)**(In thousands, except per share data)*

	Three Months Ended September 30,	
	2008	2007
Revenues:		
Asset management, administration and distribution fees	\$ 243,162	\$ 280,287
Information processing and software servicing fees	56,577	58,485
Transaction-based and trade execution fees	16,347	10,864
Total revenues	316,086	349,636
Expenses:		
Commissions and fees	42,336	44,184
Compensation, benefits and other personnel	80,932	88,463
Consulting, outsourcing and professional fees	26,213	23,703
Data processing and computer related	11,325	10,410
Facilities, supplies and other costs	18,656	16,607
Depreciation and amortization	11,675	10,991
Total expenses	191,137	194,358
Income from operations	124,949	155,278
Net loss from investments	(42,047)	(202)
Interest and dividend income	3,384	4,381
Interest expense	(903)	(1,267)
Minority interest	(31,078)	(46,463)
Net income before income taxes	54,305	111,727
Income taxes	19,810	38,428
Net income	34,495	73,299
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(7,641)	1,581
Unrealized holding (loss) gain on investments:		
Unrealized holding (losses) gains during the period net of income tax benefit (expense) of \$755 and \$(11)	(1,263)	84
Less: reclassification adjustment for losses realized in net income, net of income tax benefit of \$469 and \$36	783	(480) 62
Other comprehensive (loss) income	(8,121)	1,727
Comprehensive income	\$ 26,374	\$ 75,026
Basic earnings per common share	\$.18	\$.38
Diluted earnings per common share	\$.18	\$.37

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company**Consolidated Statements of Operations**

(unaudited)

(In thousands, except per share data)

	Nine Months Ended September 30,	
	2008	2007
Revenues:		
Asset management, administration and distribution fees	\$ 764,152	\$ 813,338
Information processing and software servicing fees	173,804	168,131
Transaction-based and trade execution fees	41,561	34,150
Total revenues	979,517	1,015,619
Expenses:		
Commissions and fees	130,676	129,857
Compensation, benefits and other personnel	248,353	261,293
Consulting, outsourcing and professional fees	79,581	67,199
Data processing and computer related	33,102	31,404
Facilities, supplies and other costs	54,458	51,867
Depreciation and amortization	34,693	25,867
Total expenses	580,863	567,487
Income from operations	398,654	448,132
Net loss from investments	(93,387)	(1,515)
Interest and dividend income	10,745	13,314
Interest expense	(2,678)	(3,696)
Minority interest	(107,837)	(134,439)
Other		2,952
Net income before income taxes	205,497	324,748
Income taxes	75,892	118,571
Net income	129,605	206,177
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(10,625)	3,906
Unrealized holding (loss) gain on investments:		
Unrealized holding (losses) gains during the period net of income tax benefit (expense) of \$1,343 and \$(383)	(2,271)	510
Less: reclassification adjustment for losses realized in net income, net of income tax benefit of \$74 and \$34	112	60
	(2,159)	570
Other comprehensive (loss) income	(12,784)	4,476
Comprehensive income	\$ 116,821	\$ 210,654
Basic earnings per common share	\$.67	\$ 1.05
Diluted earnings per common share	\$.66	\$ 1.02
Dividends declared per common share	\$.08	\$.07

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The accompanying notes are an integral part of these consolidated financial statements.

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SEI Investments Company**Consolidated Statements of Cash Flows***(unaudited)**(In thousands)*

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 129,605	\$ 206,177
Adjustments to reconcile net income to net cash provided by operating activities	80,675	59,725
 Net cash provided by operating activities	 210,280	 265,902
 Cash flows from investing activities:		
Additions to restricted cash	(24,000)	
Additions to property and equipment	(23,726)	(22,360)
Additions to capitalized software	(39,470)	