

SEI INVESTMENTS CO
Form 10-Q
May 03, 2012

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 March 31, 2012**

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)

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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)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 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 (Do not check if a smaller reporting company)

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

The number of shares outstanding of the registrant's common stock as of April 30, 2012 was 175,533,170.

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

	March 31, 2012	December 31, 2011
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 388,127	\$ 420,986
Restricted cash	6,000	6,000
Receivables from regulated investment companies	34,983	25,800
Receivables, net of allowance for doubtful accounts of \$876 and \$924 (Note 4)	147,110	142,109
Deferred income taxes	422	1,150
Securities owned (Note 6)	21,053	20,949
Other current assets	19,644	17,957
 Total Current Assets	 617,339	 634,951
 Property and Equipment, net of accumulated depreciation of \$186,510 and \$182,453 (Note 4)	 136,431	 129,548
 Capitalized Software, net of accumulated amortization of \$124,281 and \$117,100	 311,229	 309,133
 Investments Available for Sale (Note 6)	 84,214	 83,008
 Trading Securities (Note 6)	 56,461	 56,325
 Investment in Unconsolidated Affiliate (Note 2)	 66,691	 60,954
 Other Assets, net	 21,261	 20,640
 Total Assets	 \$ 1,293,626	 \$ 1,294,559

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

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

	March 31, 2012	December 31, 2011
<u>Liabilities and Equity</u>		
Current Liabilities:		
Accounts payable	\$ 2,241	\$ 1,999
Accrued liabilities (Note 4)	115,408	147,044
Deferred revenue	1,228	2,030
 Total Current Liabilities	 118,877	 151,073
 Deferred Income Taxes	 92,477	 93,751
 Other Long-term Liabilities (Note 11)	 10,832	 8,276
 Total Liabilities	 222,186	 253,100
 Commitments and Contingencies (Note 12)		
<u>Equity:</u>		
SEI Investments shareholders' equity:		
Common stock, \$.01 par value, 750,000 shares authorized; 175,469 and 176,506 shares issued and outstanding	1,755	1,765
Capital in excess of par value	587,971	577,949
Retained earnings	460,727	443,702
Accumulated other comprehensive income, net	4,091	1,900
 Total SEI Investments shareholders' equity	 1,054,544	 1,025,316
 Noncontrolling interest	 16,896	 16,143
 Total Equity	 1,071,440	 1,041,459
 Total Liabilities and Equity	 \$ 1,293,626	 \$ 1,294,559

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 March 31,	
	2012	2011
Revenues:		
Asset management, administration and distribution fees	\$ 172,954	\$ 167,504
Information processing and software servicing fees	56,200	55,824
Transaction-based and trade execution fees	8,744	9,165
Total revenues	237,898	232,493
Expenses:		
Subadvisory, distribution and other asset management costs	28,467	26,296
Software royalties and other information processing costs	6,477	7,017
Brokerage commissions	6,307	6,581
Compensation, benefits and other personnel	78,543	71,025
Stock-based compensation	4,033	3,732
Consulting, outsourcing and professional fees	26,955	25,998
Data processing and computer related	11,465	11,303
Facilities, supplies and other costs	14,508	14,102
Amortization	7,622	6,231
Depreciation	5,432	5,611
Total expenses	189,809	177,896
Income from operations	48,089	54,597
Net gain from investments	3,205	7,278
Interest and dividend income	1,487	1,544
Interest expense	(161)	(204)
Equity in earnings of unconsolidated affiliate	27,330	28,949
Net income before income taxes	79,950	92,164
Income taxes	29,715	34,124
Net income	50,235	58,040
Less: Net income attributable to the noncontrolling interest	(270)	(312)
Net income attributable to SEI Investments Company	\$ 49,965	\$ 57,728
Basic earnings per common share	\$.28	\$.31
Diluted earnings per common share	\$.28	\$.31

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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 Comprehensive Income***(unaudited)**(In thousands)*

	Three Months Ended March 31,	
	2012	2011
Net income	\$ 50,235	\$ 58,040
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	2,703	2,828
Unrealized holding loss on investments:		
Unrealized holding gains (losses) during the period, net of income tax expense of \$7 and \$112	31	(170)
Less: reclassification adjustment for gains realized in net income, net of income tax expense of \$35 and \$60	(60)	(29)
	(103)	(273)
Total other comprehensive income, net of tax	2,674	2,555
Comprehensive income	\$ 52,909	\$ 60,595
Comprehensive income attributable to the noncontrolling interest	(753)	(732)
Comprehensive income attributable to SEI Investments Company	\$ 52,156	\$ 59,863

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

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

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 50,235	\$ 58,040
Adjustments to reconcile net income to net cash provided by operating activities	(11,011)	296
Net cash provided by operating activities	39,224	58,336
Cash flows from investing activities:		
Additions to property and equipment	(12,116)	(7,368)
Additions to capitalized software	(9,277)	(10,655)
Purchases of marketable securities	(9,646)	(27,307)
Prepayments and maturities of marketable securities	10,464	10,140
Sales of marketable securities	720	36,812
Sales of other investments	0	4,905
Net cash (used in) provided by investing activities	(19,855)	6,527
Cash flows from financing activities:		
Payments on long-term debt	0	(35,000)
Purchase and retirement of common stock	(36,463)	(39,501)
Proceeds from issuance of common stock	12,362	10,594
Tax benefit on stock options exercised	(1,609)	791
Payment of dividends	(26,518)	0
Net cash used in financing activities	(52,228)	