

Edgar Filing: EDWARDS A G INC - Form 425

EDWARDS A G INC
Form 425
August 14, 2007

Filed by Wachovia Corporation pursuant to Rule 425 under the Securities Act of 1933, as amended, and deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934, as amended

Subject Company:

A.G. Edwards, Inc.

Commission File No.: 1-8527

Date: August 14, 2007

This filing may contain certain forward-looking statements with respect to each of Wachovia Corporation (Wachovia) and A.G. Edwards, Inc. (A.G. Edwards) and the combined company following the proposed merger between Wachovia and A.G. Edwards (the Merger), as well as the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of Wachovia, including, without limitation, (i) statements relating to the benefits of the Merger, including future financial and operating results, cost savings, enhanced revenues and the accretion/dilution to reported earnings that may be realized from the Merger, (ii) statements relating to the benefits of the merger between Wachovia and Golden West Financial Corporation (Golden West) completed on October 1, 2006 (the Golden West Merger), including future financial and operating results, cost savings, enhanced revenues and the accretion to reported earnings that may be realized from the Golden West Merger, (iii) statements regarding certain of Wachovia s and/or A.G. Edwards goals and expectations with respect to earnings, earnings per share, revenue, expenses and the growth rate in such items, as well as other measures of economic performance, including statements relating to estimates of Wachovia s credit quality trends, and (iv) statements preceded by, followed by or that include the words may , could , should , would , believe , anticipate , estimate , expect , intend , plan , projects , outlook or similar expressions. These statements are based upon the current beliefs and expectations of Wachovia s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These forward-looking statements involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond Wachovia s control).

The following factors, among others, could cause Wachovia s financial performance to differ materially from that expressed in such forward-looking statements: (1) the risk that the businesses of Wachovia and A.G. Edwards in connection with the Merger or the businesses of Wachovia and Golden West in connection with the Golden West Merger will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) the risk that expected revenue

synergies and cost savings from the Merger or the Golden West Merger may not be fully realized or realized within the expected time frame; (3) the risk that revenues following the Merger or the Golden West Merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption following the Merger or the Golden West Merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (5) the inability to obtain governmental approvals of the Merger on the proposed terms and schedule; (6) the failure of A.G. Edwards' shareholders to approve the Merger; (7) risk that the strength of the United States economy in general and the strength of the local economies in which Wachovia and/or A.G. Edwards conducts operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on Wachovia's loan portfolio and allowance for loan losses; (8) the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; (9) potential or actual litigation; (10) inflation, interest rate, market and monetary fluctuations; and (11) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on Wachovia's and A.G. Edwards' brokerage and capital markets activities. Additional factors that could cause Wachovia's and A.G. Edwards' results to differ materially from those described in the forward-looking statements can be found in Wachovia's and A.G. Edwards' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning Wachovia or the proposed Merger or other matters and attributable to Wachovia or A.G. Edwards or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Wachovia and A.G. Edwards do not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this filing.

The proposed Merger will be submitted to A.G. Edwards' shareholders for their consideration. Wachovia has filed a registration statement with the SEC, which includes a preliminary proxy statement/prospectus regarding the proposed Merger. A.G. Edwards' shareholders are urged to read the registration statement and the definitive proxy statement/prospectus when it becomes available, as well as any other relevant documents concerning the proposed Merger filed with the SEC (and any amendments or supplements to those documents), because they will contain important information. You will be able to obtain a free copy of the registration statement and the proxy statement/prospectus, as well as other filings containing information about Wachovia and A.G. Edwards, at the SEC's website (<http://www.sec.gov>) and at the companies' respective websites, www.wachovia.com and www.agedwards.com. Copies of the definitive proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement/prospectus can also be obtained, free of charge, by directing a request to Wachovia Corporation, Investor Relations, One Wachovia Center, 301 South College Street, Charlotte, NC 28288-0206, (704)-383-0798; or to A.G. Edwards, Inc., Investor Relations, One North Jefferson Avenue, St. Louis, MO 63103, (314) 955-3000.

Wachovia and A.G. Edwards, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the

shareholders of A.G. Edwards in connection with the proposed Merger. Information about the directors and executive officers of Wachovia is set forth in the proxy statement for Wachovia's 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 9, 2007. Information about the directors and executive officers of A.G. Edwards is set forth in the proxy statement for A.G. Edwards' 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on May 15, 2007. Additional information regarding the interests of those participants and other persons who may be deemed participants in the Merger may be obtained by reading the definitive proxy statement/prospectus regarding the proposed Merger when it becomes available. You may obtain free copies of these documents as described in the preceding paragraph.

Wachovia Corporation

Investor Update

August 2007

Ken Thompson, Chairman and CEO

Don Truslow, Chief Risk Officer

THE FOLLOWING PRESENTATION WAS POSTED ON WACHOVIA'S WEBSITE

Page 2

-

5205, Investor Update, August 2007

Long-term trends highlight
execution excellence

Fifth consecutive year of double-digit earnings growth

Sixth consecutive year of No. 1 customer service

Improved efficiency ratio by 932 bps from 2001

Continued investment for sustainable growth

Superior credit quality

Strong shareholder returns

#1 shareholder return year-end 2001

2006

>

#

3

shareholder return year-end 2001

YTD 07*: up 88%

Increased dividend 10% from 2005, 133% since
year-end 2001

*As of August 8, 2007.

Page 3

-

5205, Investor Update, August 2007

Industry concerns

Meeting the challenge in 2007 and beyond

Wachovia response

Slower Growth

Economy

Interest Rate

Environment

New product development

Credit Cycle

Concerns

Diversified scale businesses

Great footprint in high growth

and high wealth markets
Superior customer service
and loyalty
Focus on customer acquisition
and sales execution in newly
acquired businesses
Cross-enterprise sales
management
Improving overhead efficiency
ratio
Focus on retail DDA
account sales
Disciplined retail pricing
Highly collateralized, low
risk consumer portfolio
Granular commercial
portfolio
Challenge
Modest exposures to capital
markets
areas of concern

Page 4

-

5205, Investor Update, August 2007

*As reported segment earnings through December 31, 2006 excluding merger and restructuring charges of \$115 million after-tax
Combined

2006 and 2005 revenues were \$33.1 billion and \$29.6 billion, respectively. For additional information on Combined
results see Wachovia's Current Report on Form 8-K dated July 20, 2007.

Wachovia in perspective

Diversified, scale businesses

Capital

Management

Corporate

& Investment

Bank

General

Bank

Wealth

Management

62%

24%

3%

11%

2006 vs. 2005

Earnings up 19%

to \$7.9 billion*

Record earnings in

all 4 segments

Combined

revenues

up 12% from 2005

1H07 vs. 1H06

Earnings up 7% on

strong fee income and

solid credit quality

Wachovia's 4 Core Businesses Earned \$8.4 billion* in 2006

Page 5

-

5205, Investor Update, August 2007

Wachovia

80

+21.2%

(#1)

All Others

78

+8.3%

Bank of America

72

+14.3%

JPM/Bank One

72

2.9%

Wells Fargo

72

7.5%

Superior customer service and loyalty
drives results

40.2%

48.6%

51.8%

52.1%

53.7%

55.0%

4Q02

4Q04

4Q06

1Q07

2Q07

Goal

Percentage Loyal

Customers*

*Data is from independent studies conducted with customers who
transact in our Financial Centers. Definition of a loyal customer is a
customer who rates Wachovia a 7 in all three loyalty questions
satisfaction with Wachovia, likelihood to recommend, and likelihood
to repurchase
(scale of 1-7).

2006 American Customer
Satisfaction Index

6

th

year of No. 1 rank

Most improved since #1
ranking

in 2001

Score

2006

vs. 2000

Page 6

-

5205, Investor Update, August 2007

Operating efficiency improvements
drives results

51.5%

-

53.5%

Cash Overhead Efficiency Ratio*

*Excludes merger-related and restructuring expenses, changes in accounting principle and other intangible amortization.

63.6%

59.1%

60.5%

60.0%

58.0%

54.2%
56.3%
2001
2002
2003
2004
2005
2006
1H07
2007 Goal

Page 7

-

5205, Investor Update, August 2007

De Novo

Initiative

Auto Loans

Results exceeding expectations as we focus on existing 11.5 million retail and small business households

Cross-sell opportunities continue as we leverage nation s 7

th

largest auto loan origination platform

Investing for long-term growth

drives results

Mortgage

Lending

Leveraging platform to increase cross-sales by placing mortgage consultants in branches and training financial specialists

Credit Cards

Retail branch expansion also drives growth in Commercial, Wealth Management, Insurance and our other businesses

Page 8

-

5205, Investor Update, August 2007

Period-end balance sheet as of 6/30/2007.

Loan portfolio at a glance

High quality, low loss content

Total Loan Portfolio

89% Secured/Guaranteed

Consumer

Mortgage

Other

Consumer

Real Estate

Secured

Student

Auto, Other

Secured

Commercial,

Financial &

Agricultural

Commercial

Real Estate

Commercial

Leasing

Commercial

Foreign

\$254 billion consumer loan portfolio

96% secured (additional 3% guaranteed)

-

87% secured by Real Estate

87% secured by a first lien

70% average loan-to-value

699 average FICO score

\$175 billion commercial loan portfolio

76% secured

No industry > 5% (3-digit SIC)

\$1.7 million average size

38%

5%

3%

9%

24%

6%

13%

2%

Page 9

-

5205, Investor Update, August 2007

Consumer real estate portfolio

Consumer Real Estate Portfolio - On-Balance Sheet (Net of Unearned Income)

Loan

Average

Average

% of Loans

(dollars in millions)

Balances

FICO

LTV

(1)

LTV > 90%

Home equity loans and lines

First lien

\$
28,445
729

71%
13%

Second lien

29,284

725

75%
14%

Total home equity loans and lines

57,729

727

73%
14%

Mortgage loans

162,564

689

70%
2%

Total consumer real estate portfolio

220,293

699

70%
5%

Nonaccrual loans

Total first lien

1,289

648

76%
4%

Total second lien

47

682

82%
27%

Total consumer real estate nonaccrual loans

\$
1,336

649

76%

5%

(1)

Second lien LTVs reflect the total borrowings, including first lien positions held by third parties.
Consumer real estate loans with FICO score < 620 and LTV > 80% total
only \$1.1 billion

Page 10

-

5205, Investor Update, August 2007

Investment Banking positions

Modest leveraged loan and high yield bond bridge positions

4% market share

YTD 2007

*

Little hedge fund exposure; not a prime broker

Minimal subprime exposure

Exited HomEq

and Equibanc; Vertice

ceased subprime
originations in 1Q06
Structured product pipelines at manageable levels

CDO/CLO pipelines reduced substantially from
2Q07 levels

3Q07-to-date have marketed 2 CMBS deals

Sold nearly all bonds below A rated levels

(*)

Loan Pricing Corp (LPC) leveraged league tables by \$ volume

Page 11

-

5205, Investor Update, August 2007

0.14%

WB

0.14%

BAC

0.81%

JPM

0.85%

WFC

0.87%

C

1.14%

Net Charge-off Ratio

0.99%

Credit quality

Risk reduction = best-in-class credit positioning

0.37%

0.70%

2001

2Q07

Wachovia

Median: Top 20 U.S. Banks

0.60%

1.04%

0.48%

NPA/Loans Ratio

1.05%

2001

2Q07

Source: Company reports.

BAC

0.32%

WB

0.48%

JPM

0.57%

WFC

0.79%

C

0.89%

25.8x

4.96x

5.82x

10.0x

2Q07

2001

WB

25.8x

JPM

8.0x

BAC

7.3x

WFC

5.8x

C

5.8x

PTPP Earnings*/

Charge-offs

*Pre-tax, pre-provision earnings.

Page 12

-

5205, Investor Update, August 2007

Long-term priorities

Continued focus on execution drives results

Maintaining employee engagement

Building customer loyalty and maintaining service
excellence

Executing revenue growth strategies

Employing proactive risk management strategies

Improving cost structure and operating efficiencies
while reinvesting for future growth

Focus on financial strength and corporate governance

Page 13

-

5205, Investor Update, August 2007

Cautionary statement

This investor presentation may contain, among other things, certain forward-looking statements with respect to Wachovia, as well as its objectives, intentions, expectations, financial condition, results of operations, future performance and business of Wachovia, in

(i) statements regarding certain of Wachovia's goals and expectations with respect to earnings, earnings per share, revenue, expense ratio in such items, as well as other measures of economic performance, including statements relating to estimates of Wachovia's financial statements relating to the benefits of the proposed merger between Wachovia and A.G. Edwards, Inc. (the "A.G. Edwards Merger")

financial

and

operating

results,

cost

savings,

enhanced
revenues
and
the
accretion/dilution

to
reported
earnings
that
may
be
realized

from
the

A.G.

Edwards

Merger,

(iii)

statements

relating

to

the

benefits

of

the

merger

between

Wachovia

and

Golden

West

Financial

Corporation

completed

on

October

1, 2006 (the Golden West Merger), including future financial and operating results, cost savings, enhanced revenues and the

reported

earnings

that

may

be

realized

from

the

Golden

West

Merger,

and

(iv)

statements
preceded
by,
followed
by
or
that
include
the
words

may ,
could ,
should ,
would ,
believe ,
anticipate ,
estimate ,
expect ,
intend ,
plan ,
projects ,
outlook

or
similar
expressions.
These
forward-looking
statements

are
based
on
the
current
beliefs
and
expectations
of
Wachovia s
management
and
are
subject
to
significant
risks
and
uncertainties
that

are
subject to change based on various factors (many of which are beyond Wachovia s control). Actual results may differ from the

looking
statements.

The
following
factors,
among
others,
could
cause
Wachovia's
financial
performance
to
differ
materially
from
that
expressed
in
such
forward-looking
statements:

(1)
the
risk
that
the
businesses
of
Wachovia
and/or
A.G.
Edwards
in
connection
with
the
A.G.
Edwards
Merger
or
the
businesses
of
Wachovia
and/or
Golden
West
in
connection

with
the
Golden
West
Merger
will
not
be
integrated
successfully
or
such
integration
may
be
more
difficult,
time-consuming
or
costly
than
expected;

(2)
the
risk
that
expected
revenue
synergies
and
cost
savings
from
the
A.G.
Edwards
Merger

or
the
Golden West Merger may not be fully realized or realized within the expected time frame; (3) the risk that revenues following
the

Golden
West
Merger
may
be
lower
than
expected;
(4)

deposit
attrition,
operating
costs,
customer
loss
and
business
disruption
following
the
A.G.

Edwards Merger or the Golden West Merger, including, without limitation, difficulties in maintaining relationships with employees expected; (5) the inability to obtain governmental approvals of the A.G. Edwards Merger on the proposed terms and schedule; Edwards
shareholders

to
approve
the
A.G.
Edwards
Merger;

(7)
the
risk
that
the
strength
of
the
United
States
economy
in
general
and
the
strength
of
the

local economies in which Wachovia and/or A.G. Edwards conducts operations may be different than expected resulting in, among other things, a
deterioration in credit quality or a reduced demand for credit, including the resultant effect on Wachovia's loan portfolio and a
the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the
Reserve System; (9) potential or actual litigation; (10) inflation, interest rate, market and monetary fluctuations; (11) adverse changes in
market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such changes on
and A.G. Edwards

brokerage and capital markets activities; (12) unanticipated regulatory or judicial proceedings or rulings; (13) the impact of changes in
accounting principles; (14) adverse changes in financial performance and/or condition of Wachovia's borrowers which could result in
such
borrowers

outstanding
loans;
and
(15)
the
impact
on
Wachovia's
and/or
A.G.
Edwards
businesses,
as
well
as
on
the
risks
set
forth
above,
of

various domestic or international military or terrorist activities or conflicts. Wachovia cautions that the foregoing list of factors subsequent written and oral forward looking statements concerning Wachovia, the A.G. Edwards Merger or the Golden West Merger or other matters

and attributable to Wachovia or any person acting on its behalf are expressly qualified in their entirety by the cautionary statement. Wachovia does not undertake any obligation to update any forward-looking statement, whether written or oral.

Page 14

-

5205, Investor Update, August 2007

Additional information

The
proposed
A.G.
Edwards
Merger
will
be
submitted
to
A.G.
Edwards

shareholders
for
their
consideration.
Wachovia
has
filed
a
registration
statement
with
the
SEC,
which
includes
a
preliminary
proxy
statement/prospectus
regarding
the
proposed
A.G.
Edwards
Merger.
A.G.
Edwards
shareholders
and
other
investors
are
urged
to
read
the
registration
statement
and
the
definitive
proxy
statement/prospectus
when
it
becomes
available,
as
well
as

any
other
relevant
documents
concerning
the
proposed
A.G.
Edwards
Merger
filed
with
the
SEC
(and
any
amendments
or
supplements
to
those
documents),
because
they
will
contain
important
information.
You
may
obtain
a
free
copy
of
the
registration
statement
and
the
proxy
statement/prospectus,
as
well
as
other
filings
containing
information
about

Wachovia
and
A.G.
Edwards,
at
the
SEC's
website
(<http://www.sec.gov>)
and
at
the
companies
respective
websites,
www.wachovia.com
and
www.agedwards.com.

Copies of the definitive proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement will be obtained, free of charge, by directing a request to Wachovia Corporation, Investor Relations, One Wachovia Center, 301 South Tryon Street, Charlotte, NC 28288-0206, (704)-383-0798; or to A.G. Edwards, Inc., Investor Relations, One North Jefferson Avenue, St. Louis, MO 63102-3000.

Wachovia and A.G. Edwards, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the shareholders of A.G. Edwards in connection with the proposed A.G. Edwards Merger. Information about the directors and executive officers of A.G. Edwards is set forth in the proxy statement for Wachovia's 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A. Information about the directors and executive officers of A.G. Edwards is set forth in the proxy statement for A.G. Edwards' 2007 annual meeting of shareholders,

as
filed
with
the
SEC
on
a
Schedule
14A
on
May
15,
2007.
Additional
information
regarding
the
interests
of
those
participants
and
other
persons
who
may
be
deemed
participants
in
the
proposed
A.G.
Edwards
Merger
may
be
obtained
by
reading
the
definitive
proxy
statement/prospectus
regarding
the
proposed
A.G.
Edwards
Merger

when
it
becomes
available.
You
may
obtain
free
copies
of
these
documents
as
described
in
the
preceding
paragraph.