

Manning & Napier, Inc.  
Form 10-Q  
August 13, 2012  
Table of Contents

**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 June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission file number: 001-35355

**MANNING & NAPIER, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
 (State or other jurisdiction of  
 incorporation or organization)

**45-2609100**  
 (I.R.S. Employer  
 Identification No.)

**290 Woodcliff Drive**

**Fairport, New York**  
 (Address of principal executive offices)

**14450**  
 (Zip Code)

**Registrant's telephone number, including area code:**

**(585) 325-6880**

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 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 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  (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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 8, 2012
Class A common stock, \$0.01 par value per share	13,583,873
Class B common stock, \$0.01 par value per share	1,000

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
Part I	
	<b><u>Financial Information</u></b>
Item 1.	<b><u>Financial Statements (unaudited)</u></b>
	<b><u>Combined Consolidated Statements of Financial Condition as of June 30, 2012 and December 31, 2011</u></b>
	<b>1</b>
	<b><u>Combined Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011</u></b>
	<b>2</b>
	<b><u>Combined Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011</u></b>
	<b>3</b>
	<b><u>Combined Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2012</u></b>
	<b>4</b>
	<b><u>Combined Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011</u></b>
	<b>5</b>
Item 2.	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>
	<b>13</b>
Item 3.	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>
	<b>30</b>
Item 4.	<b><u>Controls and Procedures</u></b>
	<b>31</b>
Part II	
	<b><u>Other Information</u></b>
Item 1.	<b><u>Legal Proceedings</u></b>
	<b>31</b>
Item 1A.	<b><u>Risk Factors</u></b>
	<b>31</b>
Item 2.	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>
	<b>31</b>
Item 6.	<b><u>Exhibits</u></b>
	<b>32</b>

In this Quarterly Report on Form 10-Q, we, our, us, the Company, Manning & Napier and the Registrant refers to Manning & Napier, Inc. and, unless the context otherwise requires, its consolidated direct and indirect subsidiaries and predecessors.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Manning & Napier, Inc.****Combined Consolidated Statements of Financial Condition****As of June 30, 2012 and December 31, 2011**

(in thousands, except share data)	June 30, 2012 (unaudited)	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 95,127	\$ 81,208
Accounts receivable	20,117	18,409
Accounts receivable Manning & Napier Fund, Inc.	12,295	12,850
Investment securities, at fair value	7,931	4,642
Prepaid expenses and other assets	3,615	4,126
<b>Total current assets</b>	<b>139,085</b>	<b>121,235</b>
Property and equipment, net	4,747	3,812
Net deferred tax assets, non-current	52,101	53,786
<b>Total non-current assets</b>	<b>56,848</b>	<b>57,598</b>
<b>Total assets</b>	<b>\$ 195,933</b>	<b>\$ 178,833</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,153	\$ 1,139
Accrued expenses and other liabilities	33,371	30,099
Deferred revenue	10,429	9,902
<b>Total current liabilities</b>	<b>44,953</b>	<b>41,140</b>
Amounts payable under tax receivable agreement	45,924	45,885
<b>Total non-current liabilities</b>	<b>45,924</b>	<b>45,885</b>
<b>Total liabilities</b>	<b>90,877</b>	<b>87,025</b>
Commitments and contingencies (Note 7)		
<b>Shareholders' equity</b>		
Class A common stock, \$0.01 par value 300,000,000 shares authorized, 13,583,873 issued and outstanding at June 30, 2012 and December 31, 2011	\$ 136	\$ 136
Class B common stock, \$0.01 par value; 2,000 shares authorized, 1,000 shares issued and outstanding at June 30, 2012 and December 31, 2011	0	0
Additional paid-in capital	191,966	188,133
Retained deficit	(30,447)	(27,167)
Accumulated other comprehensive income	1	2
<b>Total shareholders' equity attributable to Manning &amp; Napier Group</b>	<b>161,656</b>	<b>161,104</b>
Noncontrolling interest (deficit)	(56,600)	(69,296)
<b>Total shareholders' equity and noncontrolling interest (deficit)</b>	<b>105,056</b>	<b>91,808</b>

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Total liabilities, shareholders' equity and noncontrolling interest (deficit)	\$ 195,933	\$ 178,833
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The accompanying notes are an integral part of these combined consolidated financial statements.

**Table of Contents****Manning & Napier, Inc.****Combined Consolidated Statements of Operations****Three and Six Months Ended June 30, 2012 and 2011****(Unaudited)**

(in thousands, except share data)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
Investment management service revenue	\$ 81,529	\$ 85,805	\$ 166,543	\$ 163,845
<b>Expenses</b>				
Compensation and related costs	46,570	27,061	74,302	49,955
Sub-transfer agent and shareholder service costs	12,471	12,668	25,145	24,363
Other operating costs	9,259	9,700	17,848	15,925
<b>Total operating expenses</b>	<b>68,300</b>	<b>49,429</b>	<b>117,295</b>	<b>90,243</b>
<b>Operating income</b>	<b>13,229</b>	<b>36,376</b>	<b>49,248</b>	<b>73,602</b>
<b>Non-operating (loss) income:</b>				
Interest expense on shares subject to mandatory redemption		(16,095)		(29,383)
Interest expense	(8)	(10)	(12)	(19)
Interest and dividend income	50	14	69	28
Net capital losses on investments	(616)	(159)	(236)	(156)
<b>Total non-operating loss</b>	<b>(574)</b>	<b>(16,250)</b>	<b>(179)</b>	<b>(29,530)</b>
<b>Income before provision for income taxes</b>	<b>12,655</b>	<b>20,126</b>	<b>49,069</b>	<b>44,072</b>
Provision for income taxes	3,199	253	5,189	539
<b>Net income attributable to controlling and noncontrolling interests</b>	<b>9,456</b>	<b>19,873</b>	<b>43,880</b>	<b>43,533</b>
<b>Less: net income attributable to noncontrolling interests</b>	<b>11,292</b>	<b>19,873</b>	<b>42,813</b>	<b>43,533</b>
<b>Net (loss) income attributable to Manning &amp; Napier, Inc.</b>	<b>\$ (1,836)</b>	<b>\$</b>	<b>\$ 1,067</b>	<b>\$</b>
Net (loss) income per share available to Class A common stock				
Basic	\$ (0.14)		\$ 0.08	
Diluted	\$ (0.14)		\$ 0.08	
Weighted average shares of Class A common stock outstanding				
Basic	13,583,873		13,583,873	
Diluted	13,583,873		13,583,873	
Cash dividends declared per share of Class A common stock	\$ 0.16		\$ 0.32	

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



**Table of Contents**

**Manning & Napier, Inc.**

**Combined Consolidated Statements of Comprehensive Income**

**Three and Six Months Ended June 30, 2012 and 2011**

**(Unaudited)**

(in thousands)	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 9,456	\$ 19,873	\$ 43,880	\$ 43,533
Net unrealized holding (loss) gain on investment securities, net of tax	(11)	235	(1)	596
Reclassification adjustment for realized losses on marketable securities included in net income		(156)		(156)
Comprehensive income	\$ 9,445	\$ 19,952	\$ 43,879	\$ 43,973

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



**Table of Contents**

**Manning & Napier, Inc.**

**Combined Consolidated Statement of Shareholders' Equity**

**Six Months Ended June 30, 2012**

**(Unaudited)**

	Common Stock - class A		Common Stock - class B		Additional Paid in Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interest (Deficit)	Total
	Shares	Amount	Shares	Amount					
(in thousands, except share data)									
Balance December 31, 2011	13,583,873	\$ 136	1,000	\$ 0	\$ 188,133	\$ (27,167)	\$ 2	\$ (69,296)	\$ 91,808
Net income									