

Manning & Napier, Inc.  
Form 10-Q  
May 09, 2013  
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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, 2013

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)

Delaware 45-2609100  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

290 Woodcliff Drive 14450  
Fairport, New York  
(Address of principal executive offices) (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

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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 May 7, 2013
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

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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.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

Manning &amp; Napier, Inc.

Consolidated Statements of Financial Condition

(In thousands, except share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Cash and cash equivalents	\$ 131,686	\$ 108,324
Accounts receivable	23,818	22,962
Accounts receivable—Manning & Napier Fund, Inc.	14,576	13,767
Investment securities, at fair value	10,558	13,082
Prepaid expenses and other assets	6,452	7,014
Total current assets	187,090	165,149
Property and equipment, net	4,420	4,460
Net deferred tax assets, non-current	48,571	48,571
Total non-current assets	52,991	53,031
Total assets	\$ 240,081	\$ 218,180
Liabilities		
Accounts payable	\$ 1,325	\$ 1,231
Accrued expenses and other liabilities	57,417	38,872
Deferred revenue	12,054	10,342
Total current liabilities	70,796	50,445
Amounts payable under tax receivable agreement, non-current	43,989	43,989
Total non-current liabilities	43,989	43,989
Total liabilities	\$ 114,785	\$ 94,434
Commitments and contingencies (Note 8)		
Shareholders' equity		
Class A common stock, \$0.01 par value; 300,000,000 shares authorized, 13,583,873 issued and outstanding at March 31, 2013 and December 31, 2012	\$ 136	\$ 136
Class B common stock, \$0.01 par value; 2,000 shares authorized, 1,000 shares issued and outstanding at March 31, 2013 and December 31, 2012	—	—
Additional paid-in capital	201,137	198,117
Retained deficit	(35,221	) (33,392
Accumulated other comprehensive income	—	—
Total shareholders' equity	166,052	164,861
Noncontrolling interest	(40,756	) (41,115
Total shareholders' equity and noncontrolling interest	125,296	123,746
Total liabilities, shareholders' equity and noncontrolling interest	\$ 240,081	\$ 218,180

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

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Manning & Napier, Inc.  
 Consolidated Statements of Operations  
 (In thousands, except share data)  
 (Unaudited)

	Three months ended March 31,	
	2013	2012
Revenues		
Investment management services revenue	\$90,256	\$85,014
Expenses		
Compensation and related costs	48,483	27,732
Distribution, servicing and custody expenses	15,915	14,230
Other operating costs	7,779	7,033
Total operating expenses	72,177	48,995
Operating income	18,079	36,019
Non-operating income (loss)		
Interest expense	(3	) (4
Interest and dividend income	63	19
Net capital gains on investments	250	380
Total non-operating income	310	395
Income before provision for income taxes	18,389	36,414
Provision for income taxes	1,997	1,990
Net income attributable to controlling and noncontrolling interests	16,392	34,424
Less: net income attributable to noncontrolling interests	16,048	31,521
Net income attributable to Manning & Napier, Inc.	\$344	\$2,903
Net income per share available to Class A common stock		
Basic	\$0.03	\$0.21
Diluted	\$0.03	\$0.21
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	\$0.16

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

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Manning & Napier, Inc.  
 Consolidated Statements of Comprehensive Income  
 (In thousands)  
 (Unaudited)

	Three months ended March 31,	
	2013	2012
Net income attributable to controlling and noncontrolling interests	\$ 16,392	\$ 34,424
Net unrealized holding gain on investment securities, net of tax	—	10
Comprehensive income	\$ 16,392	\$ 34,434
Less: Comprehensive income attributable to noncontrolling interest	16,048	31,531
Comprehensive income attributable to Manning & Napier, Inc.	\$ 344	\$ 2,903

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

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Manning & Napier, Inc.  
 Consolidated Statement of Shareholders' Equity  
 (In thousands, except share data)  
 (Unaudited)

	Common Stock – class A		Common Stock – class B Additional Paid in Capital			Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interest	Total
	Shares	Amount	Shares	Amount	Capital				
Balance—December 31, 2012	13,583,873	\$ 136	1,000	\$ —	\$ 198,117	\$(33,392)	\$ —	\$(41,115)	\$ 123,746
Net income	—	—	—	—	—	344	—	16,048	16,392
Distributions	—	—	—	—	—	—	—	(26,996 )	(26,996 )
Equity-based compensation	—	—	—	—	3,020	—	—	18,720	21,740
Dividends declared on Class A common stock	—	—	—	—	—	(2,173 )	—	—	(2,173 )
Purchase of Class A units of Manning & Napier Group, LLC held by noncontrolling interests (Note 3)	—	—	—	—	—	—	—	(7,413 )	(7,413 )
Balance—March 31, 2013	13,583,873	\$ 136	1,000	\$ —	\$ 201,137	\$(35,221)	\$ —	\$(40,756)	\$ 125,296

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

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Manning & Napier, Inc.  
Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Three months ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 16,392	\$ 34,424
Adjustment to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	21,740	3,709
Depreciation	486	397
Change in amounts payable under tax receivable agreement	—	39
Net gain on investment securities	(250)	(380)
Deferred income taxes	393	532
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(856)	(3,189)
Accounts receivable—Manning & Napier Fund, Inc.	(809)	(1,257)
Prepaid expenses and other assets	169	(30)
Accounts payable	94	1,327
Accrued expenses and other liabilities	(8,489)	(4,630)
Deferred revenue	1,712	1,001
Net cash provided by operating activities	30,582	31,943
Cash flows from investing activities:		
Purchase of property and equipment	(373)	(1,160)
Sale of investments	4,852	653
Purchase of investments	(2,077)	(3,541)
Net cash provided by (used in) investing activities	2,402	(4,048)
Cash flows from financing activities:		
Distributions	—	(27,071)
Dividends paid	(2,173)	—
Payment of capital lease obligations	(36)	(24)
Payment of costs directly associated with issuance of Class A common stock	—	(598)
Purchase of Class A units of Manning & Napier Group, LLC	(7,413)	—
Net cash used in financing activities	(9,622)	